Supreme Court, U.S.
FILED
JUN 18 1998
OFFICE OF THE CLERK

No. __-____ 972068

IN THE

Supreme Court of the United States

OCTOBER TERM, 1997

IMPRESSA PEROSA, S.R.L.,

Petitioner,

—v.—

TOMMASO BUTI; FASHION WORLD COMPANY,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

DAVID JAROSLAWICZ
Counsel of Record
JAROSLAWICZ & JAROS
150 William Street, 19th floor
New York, New York 10038
(212) 227-2780

Attorneys for Petitioner
Impressa Perosa, S.R.L.

114 pp

QUESTIONS PRESENTED

The judgment below presents the following issues for review. These are issues of first impression which to the petitioner's knowledge have not previously been considered by this Court or any other federal court.

1. Should a party who uses a trademark abroad for years and then uses the trademark in the United States to promote and popularize the trademark as a prelude to opening a business in the United States and simultaneously to promote a business operated by the same party in another country be considered to have "use[d]" that trademark "in commerce" as the term "use in commerce" is defined in the Lanham Act?

2. Is it necessary to actually provide services in the United States in order to obtain trademark rights in a name used with services in view of the provision in the Lanham Act affording trademark protection where the name is used in advertising a service and the service is rendered in commerce and in view of the legislative history of the 1988 revisions of the Lanham Act that indicated that the intent was to afford trademark protection based on even limited use of a trademark in a test market?

3. Where an Italian corporation operates a restaurant called "Fashion Cafe" in Milan, Italy and registers that name as a trademark in Italy, but advertises and promotes the restaurant in the United States by

distributing T-shirts, key chains, business cards and free meal vouchers bearing the name "Fashion Cafe" in the United States and negotiates with a prominent New York restaurateur to open a restaurant called "Fashion Cafe" in New York, has the Italian corporation used the name "Fashion Cafe" in commerce sufficiently to have obtained trademark rights in the name "Fashion Cafe" in the United States?

PARTIES TO THE PROCEEDING

There are no parties to this case other than those appearing in the caption.

At an earlier stage in the case the well-known supermodels Naomi Campbell, Cristy Turlington and Elle MacPherson were additional counterclaim defendants. The claims against these three additional defendants were discontinued by stipulation.

The petitioner Impressa Perosa, S.R.L. is an Italian corporation. It is not a public company and has not issued shares to the public. Impressa Perosa, S.R.L. has no parent or subsidiary corporations that have issued shares to the public.

TABLE OF CONTENTS

Questions Presented i

Parties to the Proceeding iii

Table of Contents iv

Table of Authorities v

Petition for a Writ of Certiorari 1

Opinions Below 2

Statement of Jurisdiction 2

Statute Involved 3

Statement of the Case 3

Reasons for Granting the Writ 12

Conclusion 25

Appendix

Decision of the Third Circuit 1a

Decision and Order of the District Court 23a

Report and Recommendation of the Magistrate Judge 38a

Statute Involved 76a

TABLE OF AUTHORITIES

Cases

Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 106 S. Ct. 2505, (1986) 11, 20

Buti v. Impressa Perosa, S.R.L., 139 F.3d 98 (2d Cir. 1998) ..... passim

Buti v. Impressa Perosa, S.R.L., 935 F. Supp. 458 (S.D.N.Y. 1997) ..... passim

City of Newark v. Beasley, 883 F.Supp. 3 (D. N.J. 1995) 24

Freedom Savings and Loan Ass'n v. Way, 757 F.2d 1176 (11th Cir.), *cert. denied* (1985) 21

Linville v. Rivard, 26 U.S.P.Q. 2d 1508 (TTAB) *vacated and remanded on other grounds* 11 F.3d 1074 (Fed. Cir. 1993) 21, 23

Matsushita Elec. Indus. Corp., Ltd. v. Zenith Radio Corp., 475 U.S. 574, 106 S. Ct. 1348 (1986) 11, 20

Mother's Restaurants Incorporated v. Mother's Other Kitchen, Inc., 218 U.S.P.Q. (BNA) 1046 (TTAB 1986) 21

Murphy Door Bed Co. v. Interior Sleep Systems, 687 F.Supp. 754 (E.D.N.Y. 1988) 21

Statutes and Rules

15 U.S.C. § 1051(b) 15, 17

15 U.S.C. § 1127 ..... passim

28 U.S.C. § 1254(1) 2

Lanham Act ..... passim

Trademark Law Revision Act of 1988, P.L. 100-667 ... 13, 17

Supreme Court Rule 13(3) 3

Fed. R. of Civ. P. 56 4

Other Authority

S. REP. NO. 515, 100th Cong., 2d Sess. 44-45 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577 ..... 13, 18, 19, 22

IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1997

IMPRESSA PEROSA, S.R.L.,

Petitioner,

-against-

TOMMASO BUTI AND FASHION WORLD COMPANY,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

OPINIONS BELOW

This petition seeks review of the judgment of the United States Court of Appeals for the Second Circuit, *Buti v. Impressa Perosa, S.R.L.*, 139 F.3d 98 (2d Cir. 1998) (Cote, U.S.D.J. sitting by designation) (1a*), which affirmed the decision and order of the United States District Court for the Southern District of New York *Buti v. Impressa Perosa, S.R.L.*, 935 F. Supp. 458 (S.D.N.Y. 1997) (Schwartz, U.S.D.J.) (23a), which in turn adopted the report and recommendation of the Magistrate Judge, *Buti v. Impressa Perosa,* S.R.L., 935 F. Supp. 458 at 463 (Peck, U.S.M.J.) (38a).

STATEMENT OF JURISDICTION

In seeking review of the judgment of the United States Court of Appeals for the Second Circuit, petitioner invokes the certiorari jurisdiction conferred on this Court by 28 U.S.C. § 1254(1).

The judgment which the plaintiff seeks to have reviewed was entered by the Clerk of the United States Court of Appeals for the Second Circuit on February 24, 1998, the same day as the opinion of that court was filed.

---

* Parenthetical page references denominated with an 'a' refer to pages of the appendix at the back of this petition.

A petition for rehearing was filed in the Court of Appeals for the Second Circuit. That petition was denied by order entered by the clerk of the Second Circuit on March 20, 1998.

This petition is timely since it is being brought within 90 days of the date the order denying rehearing was entered, *see* Supreme Court Rule 13(3).

STATUTE INVOLVED

Lanham Act, 15 U.S.C. § 1127 (definition of term "use in commerce").

STATEMENT OF THE CASE

Introduction

The underlying issue in this case is whether it was the petitioner or the respondent who first used the trademark "Fashion Cafe" in commerce in the United States. The party that prevails on this issue will enjoy trademark protection under the Lanham Act, 15 U.S.C. §§ 1051 et seq., and the loser will not be permitted to use the "Fashion Cafe" name.

Determining which party made first "use in commerce" of the trademark in the United States involves

a pure issue of law which is also an issue of first impression for the federal courts.[1]

The respondents contend, and the court below held, that the use made by the petitioner of the trademark did not satisfy the definition of "use in commerce" contained in the Lanham Act, 15 U.S.C. § 1127. Although the respondents do not refute that the petitioner intended to open a restaurant in the Untied States and used the "Fashion Cafe" name in the United States on advertisements and promotions, the respondents contend that because the petitioner provided actual restaurant services under the "Fashion Cafe" name only in Italy the "use in commerce" definition is not satisfied even though the petitioner unrefutedly used the name "Fashion Cafe" in the United States.

The petitioner, on the other hand, contends that its use of the "Fashion Cafe" name in the United States clearly satisfies the Lanham Act's definition of "use in commerce," despite the fact that at the time this action was commenced actual restaurant services were only being provided in Italy. The petitioner had been distributing promotional material in the United States to popularize its "Fashion Cafe" name and also to promote its restaurant among people in the fashion industry community who regularly travel to Italy, and was planning to open a

---

[1] Since the court below was deciding a summary judgment motion, if there were any issues of fact the motion would have had to have been denied, *see* Fed. R. of Civ. P. 56.

restaurant in New York. Importantly, the petitioner had engaged in commerce in the United States by entering into negotiations with a prominent New York restaurateur to open an restaurant under the name "Fashion Cafe" in New York. Indeed, the respondents' complaint even alleges as their basis for jurisdiction under the Lanham Act that the petitioner intended to open a restaurant in New York under the name "Fashion Cafe."

Thus, the key question here is whether a party who uses a trademark in the United States to promote and popularize the trademark as a prelude to opening a business in the United States and who comes to the United States and enters into negotiations with a New York restaurateur to open a restaurant under that trademark in New York, albeit simultaneously promoting a business operated by the same party in another country, should be considered to have "use[d]" that trademark "in commerce" as the term "use in commerce" is defined in the Lanham Act, 15, U.S.C. § 1127.

This Court should grant certiorari in this case because this question is an issue of first impression that to petitioner's knowledge had never before been considered by this Court or by any other federal court other than in this case. This issue is extremely important due to the increasing extent to which commerce is conducted on an international basis. The decision of the court below leaves open tremendous opportunities for the very type of mischief that the Lanham Act, and particularly its 1988 amendments, were intended to prevent.

Facts

There is no dispute that the petitioner Impressa is an Italian company which, since at least 1988, has operated a restaurant establishment in Milan, Italy under the name "Fashion Cafe" and which registered that name as a trademark in Italy, thus making it clear that the "Fashion Cafe" name was not being put into the public domain.

The petitioner's principal, Giorgio Santambrogio ("Santambrogio") also has an interest in an internationally known model agency called "Fashion Model Management," is affiliated with another international model agency called "Next", and through these agencies has represented such supermodels as Claudia Schiffer, Elle MacPherson, Christy Turlington, Helena Christiansen and Jasmine.

Santambrogio's model agencies, Fashion Model Management and Next, also represented the model Daniella Pestova, who is the wife of respondent Tommaso Buti ("Buti").

The respondent Buti is a 27 year old Italian citizen who until very recently operated take-out pasta lunch restaurants in New York City, including a restaurant on Fulton Street in Manhattan called "Focaccia" which has since suffered a fire and gone out of business. The plaintiff Fashion World Company is alleged in the complaint to be a limited partnership. Buti explained at his deposition that he owns 16 percent, his brother owns 12 percent and

Guido Bracchetti, a 27 year old Italian dentist living in Los Angeles, owns the other 72 percent.

Many of the key facts in this case are not disputed, as follows:

1. All parties agree that since approximately 1987 Santambrogio and the defendant Impressa,[2] doing business through an Italian corporate structure which is not at issue in this case, has been using the name "Fashion Cafe" in connection with two well-known restaurant and night club establishments in Milan, Italy, one called "Fashion Cafe" and the other called "Grand Fashion Cafe." The Milan Fashion Cafe is well known and has been featured in MILANOggi, a book which spotlights the hotspots of Milan.

2. All parties also agree that Santambrogio is a well-known figure in the fashion world, and that he owns an interest directly or indirectly in several model agencies located in Italy, New York and Florida, including Fashion Model Management, a well-known agency representing Claudia Schiffer and other famous models, and Next.

3. There is no dispute that before this lawsuit erupted Buti's wife, the model Daniella Pestova, was represented by Santambrogio's agency, Fashion Model Management

---

[2] The magistrate judge used the names Impressa and Santambrogio interchangeably in his report and recommendation. For the sake of convenience, that practice will be followed in this brief as well.

4. Nobody disputes that in 1993 the plaintiff Buti opened a restaurant establishment called "Fashion Cafe" in Miami Beach, Florida.[3]

5. Nobody disputes that in 1994, Buti changed the name of the Miami Beach establishment from "Fashion Cafe" to "Fashion on the Beach."

6. Nobody disputes that in approximately September, 1994, the plaintiff registered Fashion Cafe as a trademark, and in the course of doing so represented to the trademark office that there was nobody else using the name Fashion Cafe in commerce and that he had done a meaningful inquiry to determine whether anybody else was using the name.

---

[3] Buti's own explanation of how he arrived at the name "Fashion Cafe" is laughable and is almost incredible on its face. According to Buti, he got the "Cafe" part because there were other restaurants on the street called "Cafe." Buti claims he then chose the word "Fashion" in order to associate his restaurant with the Miami fashion industry.

Buti thus asks the Court to believe that he arrived at the name "Fashion Cafe" independently, despite the fact that his wife used to work for Santambrogio's agency Fashion Model Management in Milan, Buti himself is Italian and has been in the Milan offices of Fashion Model Management, Santambrogio is widely known in Italy as being affiliated with Fashion Cafe, and Fashion Cafe is widely known in Italy. Thus, according to Buti, his use of the same name as Santambrogio was just a coincidence.

Although coincidences do happen (it is said that if an infinite number of monkeys is permitted to type for an infinite amount of time, at least one by coincidence will type the complete works of Shakespeare), coincidences such as the one Buti describes are rare, indeed, and this type of spurious claim is best left for a jury.

7. Nobody disputes that subsequently, in approximately late 1994, the plaintiffs opened a large establishment in New York City with great media attention called "Fashion Cafe."

8. Finally, nobody disputes that neither the defendant Impressa nor Santambrogio has given the plaintiffs any rights to use the name Fashion Cafe.

The main issue that squarely is in dispute is whether the defendant was making "use" of the name "Fashion Cafe" "in commerce" as the term "use in commerce" is defined by the Lanham Act as amended, 15 U.S.C. § 1127, before 1993 when Buti opened his Miami Beach restaurant called Fashion Cafe and before 1994, when the plaintiffs opened their New York City Fashion Cafe at Rockerfeller Center. If the defendant was making use of the name Fashion Cafe in a manner sufficient to come within the definition of "use in commerce" set forth in the Lanham Act, then Buti began infringing on the defendant's trademark rights—which are acquired through use, not through registration—when he opened the Miami Beach establishment, and the plaintiffs continue infringing today with their New York establishment and others they have opened or are opening throughout the United States and the rest of the world.

Impressa's First Use Of The Trademark "Fashion Cafe"

The petitioner Impressa claims that it made first "use" of the name "Fashion Cafe" in commerce as "use in commerce" is defined in the Lanham Act, as amended.

Impressa claims—and the respondents have offered noting to refute—that for several years prior to when the plaintiffs registered the Fashion Cafe trademark—i.e. long before 1993 when Buti began using the Fashion Cafe name in Florida—Impressa conducted the following activities:

1. While attending fashion events throughout the United States, particularly events in New York and Miami Beach, Santambrogio distributed promotional materials, including thousands of T-shirts, key chains and business cards containing the name "Fashion Cafe." These items promoted the Milan Fashion Cafes.

2. Santambrogio distributed vouchers good for free meals at the Fashion Cafes in Milan to persons associated with the modeling and fashion industry, as a promotion of the name "Fashion Cafe" in order to increase the name recognition of Fashion Cafe in the United States and to promote business at the Milan establishments.

3. Santambrogio sought out restaurateurs in the United States, and actively negotiated with the well known restaurateur Giuseppe Cipriani, to open a theme restaurant in New York to be called "Fashion Cafe."

IV. Santambrogio devised a plan to put Fashion Cafe establishments in hotels in major cities throughout

the United States. This plan admittedly was never implemented.

The respondents proffered no evidence whatsoever refuting any of these allegations of "use in commerce" of the trademark "Fashion Cafe." Accordingly, at least in deciding the summary judgment motion the court below was required to accept these statements as true. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-52, 106 S. Ct. 2505, 2509-12 (1986); *Matsushita Elec. Indus. Corp., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 585-88, 106 S. Ct. 1348, 1355-57 (1986).

It is uncontested that prior to Buti's registering the name Fashion Cafe, neither the defendant nor Santambrogio had actually opened an establishment using the name "Fashion Cafe" in the United States. However, as will be shown below, that is not the end of the matter, since the defendant was using the "Fashion Cafe" name "in commerce," as defined in 15 U.S.C. § 1127, before the plaintiffs ever began to do so.

The Decisions Of The Court Below

In its decision (23a) adopting the report and recommendation of the magistrate judge (38a) as to the trademark issues, the court below seized upon the fact that the Fashion Cafe restaurant being promoted by the defendant Impressa through Santambrogio's unrefuted distribution of T-shirts, key chains, business cards and free meal vouchers was located in Italy, not in the United

States. Relying on no authority other than two administrative decisions of the TTAB, one of which had been vacated by the Federal Circuit and the other of which predated the 1988 amendments to the Lanham Act, the court held that promotion or advertising in the United States of a foreign restaurant with the name "Fashion Cafe" and negotiating in the United States to open a restaurant in New York called "Fashion Cafe" was not sufficient "use in commerce" to vest Impressa with United States trademark rights in that name.

The Second Circuit, reviewing the district court's summary judgment decision *de novo*, essentially adopted the district court's reasoning and reached the same conclusion. Erroneously reaching a factual determination inappropriate for a summary judgment motion, the Second Circuit found that Impressa had not presented sufficient evidence that Impressa's use of the "Fashion Cafe" name was intended as use in a test market, and erroneously refused to consider Impressa's argument that its use of the "Fashion Cafe" name was use in a "test market."

REASONS FOR GRANTING THE WRIT

This Court should grant certiorari in this case as it raises an important issue of trademark law which is an issue of first impression before the federal courts and promises to be an increasingly important in light of the expanding amount of international trade experienced in

today's marketplace. The decision of the court below provides an opportunity for unscrupulous individuals to intentionally steal successful trademarks established by others overseas and to foreclose legitimate first users of trademarks from using them in the United States. This is directly opposite to what Congress intended in enacting both the Lanham Act and the Trademark Law Revision Act of 1988, P.L. 100-667.[4]

Before any business opens its doors to the public, there is necessarily a period of extensive preparation. In the case of a restaurant, that preparation includes, among other things, selecting a name, testing the market to see if the name would be popular among the desired community of people, advertising the name so that it will have some name recognition among the desired community and negotiating with potential investors, partners and landlords. All these activities are generally done before the restaurant is actually opened for business.

The decision of the court below permits competitors to move in and usurp a business name or trademark even after it has been advertised in the United States as part of a market test. The thin reed on which the court below balances its decision is the notion that there is no

---

[4] The Senate Judiciary Committee conducted a careful review of the proposed legislation. The committee prepared a detailed 47 page report reviewing the underlying reasons why the Lanham Act was being amended and setting forth the Judiciary Committee's understanding of the measure and its intent. S. REP. NO. 515, 100th Cong., 2d Sess. (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577.

"use" of the name "in commerce" before the restaurant opens, despite the fact that any businessperson would consider advertising, test marketing and negotiating with potential partners, investors and landlords to be use in commerce sufficient to stake a claim to the name.

The decision of the court below requiring a business to have been actually opened before granting Lanham Act protection leads to absurd and disturbing results.

For example, if an Italian hotel company were to erect a booth in New York's Times Square where vouchers valid for a free night at the classy San Piedro hotel in Milan would be given away in order to attract customers to their hotel, and a usurper were to come along and open a tacky dive called "San Piedro hotel" right there in Times Square and attempt to obtain trademark registration for "San Piedro hotel," surely the Italian company's prior-use of the "San Piedro" name should be deemed "use in commerce" under the Lanham Act and should be sufficient to permit the Italian company to block the usurper's use of that name. However, following the decision of the court below in this case, the real San Piedro hotel would have no rights to enjoin the tacky dive from using the "San Piedro" name.

Another example of the mischief tolerated by the decision of the court below would be the case of a South American bank well-known in South America that wants to expand its operations to the United States. If it advertises its name to achieve a degree of name recognition

before actually opening for business in the United States, because of the decision reached by the court below it would be vulnerable to having a usurper rush to open a business under the bank's name, claim first use and then seek to hold up the bank and obtain payment in exchange for the right to use the bank's own name.[5]

The court below reached its counterintuitive result by adhering to a rigid interpretation of "use in commerce" that is far too literalistic and, petitioner submits, was never intended by Congress. The question of the proper way to interpret the "use in commerce" definition in this context has never before been considered by this Court or by any federal court, and petitioner submits that the factually distinguishable decisions of the Trademark Trial and Appeals Board ("TTAB") relied upon by the court below should not have determined this case.

The definition of "use in commerce" to be applied in a Lanham Act case dealing with a trademark used with restaurant services, such as this case, is set forth at 15 U.S.C. § 1127, which provides in relevant part as follows:

> The term "use in commerce" means the bona fide use of a mark in the ordinary course of

---

[5] It is true that the bank could possibly protect itself by filing an "intent to use" trademark application pursuant to 15 U.S.C. § 1051(b). However, such applications are subject to predetermined timeframes that might be unworkable for the bank and at any rate the existence of an alternate solution in certain cases does not require this Court to endorse a general approach that leaves so much room for deviousness and subterfuge.

> trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—
>
> * * *
>
> (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

(emphasis added).

The court below seized on the words "and the services are rendered in commerce" and interpolated into those words a requirement that the business be up and running with the services actually being rendered at the time of the advertising in order for the trademark protection to attach. However, there is no convincing reason to require that a business be actually up and running.

Why should the commercial preparations to open a business not be considered "commerce" for Lanham Act purposes? Why should "use in commerce" not include situations where the advertising predates the rendering of services, as long as services are ultimately intended to be rendered? Also, why should negotiations conducted in New York to form a partnership to operate a restaurant under the trademark not be considered "commerce" under the Lanham Act?

The decision of the court below permits a usurper such as the respondent Buti to wait until after another individual has tested the market's reaction to a trademark and begun preparations to open a restaurant under that name, and then rush in and file a trademark application based on "intent to use", 15 U.S.C. § 1051(b), or open a restaurant using that name before the true first user completed his preparations. This Court should not grant its imprimatur to this type of mischief.

Although the Lanham Act's definition of "use in commerce" is not as detailed as one might have hoped, Congress has provided some amplification of that definition through the vehicle of the Senate Report issued in connection with the Trademark Law Revision Act of 1988, P.L. 100-667, which *inter alia* revised and updated the "use in commerce" definition.

In that report, the Judiciary Committee explicitly discussed the intended meaning of the provision defining "use in commerce" as follows:

> The committee intends that the revised definition of "use in commerce" be interpreted to mean commercial use which is typical in a particular industry. Additionally, the definition should be interpreted with flexibility so as to encompass various genuine, but less traditional, trademark uses, such as those made in test markets, infrequent sales of large or expensive items, or ongoing shipments of a new drug to clinical investigators by a company awaiting FDA approval, and to preserve ownership rights in a mark if, absent an intent to abandon,

> use of a mark is interrupted due to special circumstances. Finally, the revised definition is intended to apply to all aspects of the trademark registration process, from applications to register, whether they are based on use or intent-to-use, and statements of use filed under Section 13 of the Act, to affidavits of use filed under Section 8, renewals and issues of abandonment. Clearly, however, use of any type will continue to be considered in an infringement action.

S. REP. NO. 515, 100th Cong., 2d Sess. 44-45 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5607-08 (emphasis added).

This report makes it clear that Congress intended that the term "use in commerce" should not be applied with clinical detachment, but should rather be applied in a manner that is appropriate for a particular industry. In this case, the record reflects that Impressa's Milan Fashion Cafe had become a popular hotspot for people involved in the fashion industry. Santambrogio's activities of promoting the Milan establishment at fashion events in New York and Miami—which, along with Milan, Paris and several other cities, are the foci of the fashion world—and negotiating to open a Fashion Cafe in New York together with Cipriani was certainly typical of the fashion and restaurant industries, both of which depend on tasteful timing and advertising which is not overbearing.

Similarly, this report makes it clear that Congress intended that use of a trademark on a limited basis "in a test market" prior to full-fledged use is sufficient to come

within the meaning of "use in commerce." Such test market use of a trademark would certainly include Santambrogio's advertising of the name "Fashion Cafe" in connection with the Milan Fashion Cafe, which was already perceived in the fashion community as a chic or "in" establishment, as a prelude to opening a "Fashion Cafe" restaurant in New York, which Cipriani's affidavit contained in the record confirms was Santambrogio's intention.

Despite the vague definition of "use in commerce" contained in the Lanham Act and the complete absence of federal appellate caselaw dealing with the definition of "use in commerce" in this context of a foreign business establishing itself and its trademark in the United States, the court below lightly disregarded the Senate Report, finding that because the statute was so "clear" (20a) that it was not necessary to consider the legislative history of the statute. Petitioner respectfully disagrees with the court below, and urges this Court to recognize that the Lanham Act's definition of "use in commerce" is far from "clear" in the context of this case.

The court below also brushed off the significance of the Senate Report by concluding that the 1988 amendments did not change the "portion of the 'use in commerce' definition at issue here" (19a). This conclusion is completely erroneous. The 1988 amendments most certainly did affect significant changes on the definition of "use in commerce," P.L. 100-667, § 134(8). The fact that some words or a portion of the definition might have

survived into the new definition is not indicative of Congress' intent. The legislative intent underlying the new definition, which includes both the new words and any surviving old words, is thus just as significant as if the definition had been entirely re-written with completely new words. The overall amendment makes it clear that Congress intended an overall liberalization of the interpretation of the definition.

The court below also brushed off the significance of the Senate Report by erroneously reaching the factual conclusion that the evidence in this case is not sufficient to show that Impressa was using the "Fashion Cafe" name in a test market. Since use in a test market is one of the activities that the Senate Report specifically states should be considered to be "use in commerce" under the Lanham Act, the factual conclusion reached by the court below is most significant.

The law is well settled and quite familiar that when deciding a summary judgment motion a court is limited to spotting issues, not resolving them. *Anderson v. Liberty Lobby*, 477 U.S. at 247-52, 106 S. Ct. at 2509-12; *Matsushita v. Zenith*, 475 U.S. at 585-88, 106 S. Ct. 1348, 1355-57. It was thus error for the court below, particularly as an appellate court in a case where the defendant is entitled to a jury trial, to make a factual determination as to the sufficiency of the evidence as to whether Impressa was using the name "Fashion Cafe" in the United States to test the market's reaction to the name. The application to the district court was a summary judgment motion pursuant

to Federal Rule of Civil Procedure 56, with respect to which the facts must be viewed in the light most favorable to Impressa, the party opposing summary judgment, *id.*; the court was not reviewing a trial transcript.

By attempting to shoehorn the facts of this case into the mold of two superficially similar decisions of the TTAB,[6] *Mother's Restaurants Incorporated v. Mother's Other Kitchen, Inc.*, 218 U.S.P.Q. (BNA) 1046 (TTAB 1986) and *Linville v. Rivard*, 26 U.S.P.Q. 2d 1508 (TTAB) *vacated and remanded on other grounds* 11 F.3d 1074 (Fed. Cir. 1993), the court below reached a result that is not only not required by the Lanham Act, but is actually at odds with the intent of the Lanham Act.

The decision in *Mother's Restaurants*, upon which the court below relied heavily, is completely distinguishable on its facts from our case. The superficial similarity between *Mother's* and the case at bar is that in *Mother's*, like our case, there was a foreign restaurant and a restaurant located in the United States. However, unlike our case, the foreign establishment in *Mother's* did not come to the United States during the relevant time period and distribute promotional material, vouchers or any-

---

[6] Decisions of the TTAB are not binding on the federal courts, although they may be consulted as authority. *See, Freedom Savings and Loan Ass'n v. Way*, 757 F.2d 1176 (11th Cir.), *cert. denied* (1985) (holding that in enacting the Lanham Act, Congress did not intend to invest TTAB with binding precedential powers); *Murphy Door Bed Co. v. Interior Sleep Systems*, 687 F.Supp. 754, 762 (E.D.N.Y. 1988).

thing else. Rather the foreign establishment's claim was that coincidental spillover radio advertising broadcast on radio stations in Canada that could be heard in the United States at points close to the Canadian border constituted their "use in commerce." In short, they were seeking to derive trademark rights from radio advertising that—essentially by accident—could be heard in the United States. The TTAB held that such happenstance could not give rise to trademark rights, although the TTAB did not explicitly examine the definition of "use in commerce" contained in the Lanham Act.

It should be carefully noted that *Mother's* was decided in 1983, five years before the Trademark Law Revision Act of 1988 which amended the "use in commerce" definitions of the Lanham Act, and five years before the promulgation of the Senate Report cited above which made it clear that it is the intent of Congress that the "use in commerce" definition in the Lanham Act be liberally construed. S. REP. NO. 515, 100th Cong., 2d Sess. 44-45 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5607-08.

On the other hand, in our case, unlike *Mother's*, there was nothing accidental about Impressa's activities in the United States. Santambrogio very deliberately came physically to the United States and personally promoted the Milan Fashion Cafe here, on United States soil, and made use of the Fashion Cafe name in commerce, in a manner exactly conforming with the definition of "use in commerce" contained at 15 U.S.C. § 1127.

Similarly, *Linville*, the other TTAB decision relied on by the court below is also inapposite.[7] In that case, another Canadian company claimed that it has made "use" of a name "in commerce" through 1) meetings with possible franchisees in the United States; 2) review of possible sites for stores in the United States; 3) spillover radio advertising on Canadian radio stations; 4) advertisements in Canadian newspapers that are read in the United States; 5) servicing United States customers who traveled to Canada; and 6) on one occasion, distributing promotional giveaways and coupons from a booth at the North Dakota State Fair. *Id.* The TTAB found that this course of sporadic and frequently passive activity did not amount to "use in commerce."

---

[7] It must also be mentioned that the *Linville* decision can hardly be considered good precedential authority, even of the TTAB had power to make decisions with precedential effect. *Linville* was vacated and remanded by the Federal Circuit, 11 F.3d 1074 (F. Cir. 1993), with an unpublished opinion, *Rivard v. Linville*, 1993 U.S.App. LEXIS 30011, 31 U.S.P.Q. 2d (BNA) 1218 (F. Cir. 1993), that begins with a statement pursuant to Rule 47.8 of the Rules of the Federal Circuit stating that the decision shall not be employed as precedent and shall not be cited by counsel. Additionally, although technically *Linville* was vacated on other grounds, those other grounds were the TTAB's failure to recognize a triable issue of material fact in a summary judgment motion context and it is entirely possible that after remand the TTAB held a trial, resolved the disputed issues of fact in favor of Rivard, and reached an entirely different result than the initial decision relied upon by the court below. In short, the TTAB's decision in *Linville* is problematic non-precedent, and ought not have been relied upon by the court below.

In our case however, quite unlike the *Mothers* and the defendant's activities with respect to the Fashion Cafe were carried out over an extended period of time each time he would come to the United States to attend a fashion show or other fashion world event. If the distinction in this case turns on the question of whether the defendant's conduct was too sporadic to be "use," then that is a factual question that should be determined by a jury at trial rather than the Court on summary judgment motion papers. The Court should note that "[t]here is no set formula as to the quantity of use required to establish trademark rights." *City of Newark v. Beasley*, 883 F.Supp. 3 (D. N.J. 1995).

The decision of the court below stands on very unsure precedent and is contrary to the very purpose of Lanham Act trademark law. In resolving an important legal issue of first impression, it exhalts a literalistic interpretation of the definition of "use in commerce" while ignoring the greater picture, the underlying intent of the law and the mischief that will result from the interpretation applied.

In this age of heightened international commerce when international transactions and sales of products and services across international borders have become commonplace, the mischief that will be worked by the decision reached by the court below promises to abound. Since this issue is so important to the maintenance of an orderly and honest marketplace, and this issue has never

before been considered by a federal court, this Court should grant certiorari.

CONCLUSION

For the reasons set forth herein, petitioners respectfully request that this Court grant a writ of certiorari to the United States Circuit Court for the Second Circuit.

Dated: New York, New York
June 17, 1998

Respectfully submitted,

JAROSLAWICZ & JAROS, ESQS

By: _____
David Jaroslawicz
Counsel of Record

150 William Street, 19th floor
New York, New York 10038
(212) 227-2780

Of counsel:

David Jaroslawicz,
Robert J. Tolchin.

APPENDIX

Decision of the United States Court of Appeals

for the Second Circuit

No. 95-5883

TOMMASO BUTI; FASHION WORLD COMPANY

Plaintiffs-Counter-
Defendants-Appellees,

v.

IMPRESSA PEROSA, S.R.L.

Defendant-Counter-
Claimant-Appellant.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

(Docket No. 96-9630)

ARGUED OCTOBER 10, 1997

DECIDED FEBRUARY 24, 1998

BEFORE: KEARSE and CABRANES, Circuit Judges, and COTE, District Judge.*

---

* The Honorable Denise Cote, of the United States District

(continued next page)

OPINION OF THE COURT

Cote, *District Judge*.

Defendant Impressa Perosa, S.R.L. ("Impressa") appeals from an August 9, 1996 Memorandum Decision of the United States District Court for the Southern District of New York (Schwartz, J.) granting summary judgment to plaintiffs Tommaso Buti and Fashion World Company (referred to collectively as "Buti") on their claim for a declaratory judgment that Impressa has no rights under federal trademark law in the name "Fashion Cafe" for restaurant services and clothing in the United States. The District Court also granted summary judgment to Buti on Impressa's counterclaims, dismissing with prejudice the federal trademark counterclaims and declining to exercise Supplemental jurisdiction over, and thus dismissing without prejudice, the state law counterclaims. The District Court's opinion adopted, and relied heavily upon, the Report and Recommendation ("Report") of Magistrate Judge Peck, with the exception of a recommendation to impose sanctions against Impressa, which the District Court denied. For the reasons set forth below, we affirm in full the decision of the District Court.

Court for the Southern District of New York, sitting by designation.

BACKGROUND

As Magistrate Judge Peck observed in his Report, none of the parties' various disputes regarding the record facts are material to the core legal issue that both sides agree governs this case, namely, whether Buti or Impressa first used the contested mark "Fashion Cafe" in "commerce," within the meaning of the Lanham Act. *See Buti v. Impressa Perosa, S.R.L.*, 935 F. Supp. 458, 464 (S.D.N.Y. 1996).

In 1987, Impressa opened an establishment called the Fashion Cafe, which the Report describes as "a 'bar with a cafeteria,' not a restaurant," in Milan, Italy. Along with his interest in that business, Impressa's principal, Giorgio Santambrogio ("Santambrogio"), also is part owner of several other Italian concerns, including a modeling agency known as Fashion Model Management, and a restaurant called the Grand Fashion Cafe, which formally opened in Milan in February 1995; neither of the latter businesses is at issue in this case. Impressa registered the trademark Fashion Cafe in Italy in April 1988, and Santambrogio asserts that he purchased the name from Impressa several years thereafter for the purpose of developing such establishments around the world.

It is undisputed that Impressa never opened a Fashion Cafe or any other restaurant or store in the United States, nor did the company ever conduct any formal advertising or public relations campaign in this country for its Milan Fashion Cafe. Nevertheless, Santam-

brogio did submit evidence that he promoted the Fashion Cafe during visits to the United States by distributing "literally thousands of T-shirts, cards, and key chains with the [Milan] Fashion Cafe name and logo to persons associated with the modeling and fashion industry which entitled them to free meals" at the Fashion Cafe. *Id.* at 466 (alteration in original). Santambrogio also maintains that he actively negotiated with at least one well-known restaurateur for the purpose of opening a Fashion Cafe "theme restaurant" in New York City; in addition, he claims to have devised a plan to put a Fashion Cafe establishment in hotels in major cities throughout the United States, but admits taking no actual steps to implement this "fantasy," which existed only "in [his] brain." *Id.* at 466 & n.6.

In May 1993, Buti opened a restaurant, also called the Fashion Cafe, in Miami Beach, Florida. In the summer of 1994, he commenced a plan to open a "franchise" of Fashion Cafe theme restaurants, which would focus on the fashion model industry by displaying fashion photographs and tapes of televised fashion shows, and marketing associated apparel and souvenirs. Pursuant to that plan, Buti hired a law firm to perform a trademark search of the Fashion Cafe name, and when the search revealed no use or registration of the name in the United States, he filed an application with the Patent and Trademark Office to register the mark Fashion Cafe. Anticipating a spring 1995 opening for his New York City Fashion Cafe, Buti publicized the restaurant's December 1994 groundbreaking through publicity and promotions involving, inter

alia, appearances by well-known models, all of which "generated thousands of television, newspaper and magazine articles worldwide." *Id.* at 465. The New York Fashion Cafe formally opened in April 1995, another opened thereafter in New Orleans, and several more were under construction as of the time of the District Court litigation.

In December 1994, upon learning of Buti's planned opening of his Fashion Cafe in New York, Impressa attempted to register that name with the Patent and Trademark Office. In January 1995, counsel for Impressa sent a "cease and desist" letter to Buti, threatening litigation if he did not refrain from using the Fashion Cafe name. Buti responded by filing the present action, on May 17, 1995, alleging federal question jurisdiction and naming Impressa as the sole defendant. The Complaint seeks primarily a declaratory judgment "that Defendant does not have rights in the trademark 'Fashion Cafe' for restaurant services or clothing in the United States." The Complaint also requests various other forms of equitable relief, including a declaration that Buti did not compete unfairly with Impressa, nor infringe Impressa's trademark rights (if any) in the Fashion Cafe name, by advertising or operating Buti's restaurants; a declaration that Buti did not misrepresent the origin of his restaurant services; and an injunction preventing Impressa from filing or threatening to file an infringement suit against Buti.[1]

---

[1] Contemporaneous with the entry of judgment, Judge Schwartz granted an order amending the Complaint by interlineation to remove Buti's claims for compensatory and punitive

(continued next page)

Impressa answered and asserted five counterclaims, alleging that Buti (i) infringed on Impressa's rights in the Fashion Cafe name, giving rise to a claim for false designation of origin under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a); (ii) misappropriated Impressa's concepts and the name Fashion Cafe; (iii) engaged in unfair and deceptive business practices in violation of New York General Business Law Section 349 et seq.; (iv) committed acts constituting common law unfair competition; and (v) caused Impressa such harm through the aforementioned conduct as to entitle Impressa to an injunction. After Buti moved to dismiss the counterclaims, pursuant to Rule 12(b)(6), Fed. R. Civ. P., Impressa filed an amended answer and counterclaims, adding a sixth counterclaim alleging that Buti made false representations in his application for trademark registration, in violation of Section 38 of the Lanham Act, 15 U.S.C. § 1120.

After the close of discovery, Buti moved for summary judgment on his declaratory judgment claim and in addition requested that his motion to dismiss the counterclaims be converted to one for summary judgment, under Rule 56, Fed. R. Civ. P.; that request was granted, and Buti submitted additional papers in Support of the latter motion. Although Impressa failed to move for summary judgment on its own claims, its opposition to Buti's motion did contain a request that the court "search

---

damages.

the record" and grant Impressa summary judgment on the counterclaims; the District Court therefore considered the motions before it to be cross-motions for summary judgment.

Magistrate Judge Peck, to whom the motions were referred, recommended that the District Court grant Buti's motion for summary judgment, awarding him a declaratory judgment that Impressa has no rights in the mark Fashion Cafe in the United States, and dismissing all of Impressa's counterclaims. The determinative conclusion, with respect to both the declaratory judgment claim and the federal trademark counterclaims, was that Impressa did not "use" the Fashion Cafe name "in commerce" within the meaning of the Lanham Act prior to Buti's registration and use of the name. Specifically, Magistrate Judge Peck found, based largely on decisions of the Trademark Trials and Appeals Board ("TTAB"), that Santambrogio's efforts in the United States to advertise and promote the Milan Fashion Cafe were insufficient to satisfy the statutory standard for "use in commerce" because the restaurant services associated with that advertising were provided solely in Milan, Italy, outside the scope of United States "commerce." The District Court adopted in full these core conclusions regarding the trademark claims, and in addition adopted the recommendation to refrain from exercising Supplemental jurisdiction over Impressa's state law counterclaims. Thus the District Court awarded Buti a declaratory judgment, dismissed Impressa's federal counterclaims with prejudice,

and dismissed the state law counterclaims without prejudice.

DISCUSSION

Even when viewed in the light most favorable to Impressa, as is required here pursuant to our *de novo* review of the grant of summary judgment to Buti, *see Samuels v. Mockry*, 77 F.3d 34, 35 (2d Cir. 1996), the record in this case makes clear that no genuine dispute exists as to any material factual issue, and that Buti was and is entitled to judgment as a matter of law. The parties' agreement concerning the essential facts and governing legal framework leave the issue on appeal quite narrow. Both sides agree that the critical question in determining their respective rights in the Fashion Cafe name is which party first "used" the name "in commerce" as that phrase is defined by Section 45 of the Lanham Act, 15 U.S.C. § 1127.

"Use in Commerce"

The Lanham Act authorizes trademark registration only for marks that are "used in commerce." 15 U.S.C. § 1051. In the context of the restaurant "services" at issue in this case, "use in commerce" is defined by Section 45 of the Lanham Act as:

> bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. . . . [A] mark shall be deemed to be in use in commerce . . . on services when it is

> used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

15 U.S.C. § 1127 (emphasis added). Impressa asserts, and Buti accepts, that the italicized portion of the definition is the section applicable in this case.

As discussed at length below, the parties' disagreement with respect to the meaning of Section 45 centers on Impressa's contention that Santambrogio's advertising and promotional activities in the United States constituted sufficient "use" of the Fashion Cafe name "in commerce" as to merit protection under the Lanham Act. Notwithstanding this disagreement over the statutory concept of "use," however, the parties are in complete accord as to the meaning under Section 45 of "commerce." That is, Impressa and Buti acknowledge, as they must, that "commerce," for purposes of delimiting "use in commerce" under the Lanham Act, is expressly defined by Section 45 to be "all commerce which may lawfully be regulated by Congress." 15 U.S.C. § 1127. We recently affirmed that the "history and text of the Lanham Act show that 'use in commerce' reflects Congress's intent to legislate to the limits of its authority under the Commerce Clause." *United We Stand America, Inc. v. United We Stand, America New York, Inc.*, 128 F.3d 86, 92 (2d Cir. 1997). *See also* 2 J. Thomas McCarthy, McCarthy on Trademarks

and Unfair Competition § 19:117 & n.2 (4th ed. 1997) (citing *Trade-Mark Cases*, 100 U.S. 82, 25 L. Ed. 550 (1879), for proposition that "the power of Congress to register marks stems only from the 'Commerce Clause' of the U.S. Constitution," U.S. CONST., Art. I, § 8, cl. 3). The Supreme Court, moreover, has made clear that Congress's authority under the Commerce Clause extends to activity that "substantially affects" interstate commerce. *See United States v. Lopez*, 514 U.S. 549, 559, 131 L. Ed. 2d 626, 115 S. Ct. 1624 (1995). In the trademark context, the limits of Congress's Commerce Clause authority are manifested by the cases that define the extra-territorial reach of the Lanham Act. In this Circuit, for example, the exercise of Lanham Act extraterritorial jurisdiction is governed by a three-factor analysis examining (i) whether the defendant is a United States citizen; (ii) whether the defendant's conduct had a "substantial effect" on United States commerce; and (iii) whether there is a conflict with trademark rights under foreign law. *See Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 642-43 (2d Cir. 1956). *See also Sterling Drug, Inc. v. Bayer AG*, 14 F.3d 733, 745-46 (2d Cir. 1994); *Totalplan Corp. of America v. Colborne*, 14 F.3d 824, 830 (2d Cir. 1994); *Aerogroup Int'l, Inc. v. Marlboro Footworks, Ltd.*, 955 F. Supp. 220, 225-29 (S.D.N.Y. 1997).

This case, of course, involves the reverse, or perhaps the mirror image, of the issue presented in the *Vanity Fair* line of cases; we are concerned here not with the extraterritorial force of our trademark laws to regulate or redress the conduct of a foreign citizen in a foreign land,

but with the ability of that foreign citizen to gain the protection of our trademark laws, and the degree of interaction with our nation's commerce that is required of him to receive that protection. Impressa nevertheless has implicitly acknowledged, through several pivotal concessions, that the question whether it may derive the benefits of the Lanham Act is dictated by one of the same inquiries that guided the decision in *Vanity Fair*, namely, whether Impressa has conducted the affairs of its Milan Fashion Cafe in such a way as to "substantially affect" United States interstate or foreign commerce, and thereby fall within Congress's authority under the Commerce Clause. Thus Impressa conceded at oral argument that: (1) the food and drink services of the Milan Fashion Cafe form no part of the trade between Italy and the United States; and (2) Congress has no constitutional authority to regulate the operation of the Fashion Cafe in Milan. These admissions, even if only a recognition of the fact that Impressa's registration and use of the Fashion Cafe name in Italy has not, given the territorial nature of trademark rights, secured it any rights in the name under the Lanham Act, *see, e.g., Financial Matters, Inc. v. Pepsico, Inc.*, 806 F. Supp. 480, 485 (S.D.N.Y. 1992) (citing *La Societe Anonyme des Parfums Le Galion v. Jean Patou, Inc.*, 495 F.2d 1265, 1270 n.4 (2d Cir. 1974)); *Person's Co., Ltd. v. Christman*, 900 F.2d 1565, 1568 (Fed. Cir. 1990); 4 McCarthy §§ 29:1-29:3, nonetheless have dramatically narrowed the issue to be decided in this appeal.

"Services Rendered in Commerce"

As indicated, the crux of the parties' dispute is whether Santambrogio's advertising and promotional activities in the United States on behalf of the Milan Fashion Cafe were sufficient to establish Impressa's "use in commerce" of the Fashion Cafe name, within the meaning of Section 45 of the Lanham Act, where it is undisputed that Impressa rendered no restaurant services, nor operated any other business, under that name in the United States. We believe the answer lies in first principles. The Supreme Court explained long ago that

> the right to a particular mark grows out of its use, not its mere adoption; its function is simply to designate the goods as the product of a particular trader and to protect his good will against the sale of another's product as his; and it is not the subject of property except in connection with an existing business.

United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 97, 63 L. Ed. 141, 39 S. Ct. 48 (1918). *See also Pirone v. MacMillan, Inc.*, 894 F.2d 579, 581, 583 (2d Cir. 1990). *See generally* 2 McCarthy §§ 16:1-16:11. Accordingly, one who registers and owns a trademark thereby "acquires the right to prevent his goods from being confused with those of others and to prevent his own trade from being diverted to competitors through their use of misleading marks." *Pirone*, 894 F.2d at 581. The right so acquired, however, exists only "as a right appurtenant to an established business or trade in connection with which the mark is employed." *United Drug*, 248 U.S. at 97

(emphasis added); see also *Pirone*, 894 F.2d at 583. Under this rule, therefore, Santambrogio's mere advertising of the Fashion Cafe mark, standing alone, did not constitute "use" of the mark within the meaning of the Lanham Act. *See, e.g., United Drug*, 248 U.S. at 97; *Pirone*, 894 F.2d at 583; *Cullman Ventures, Inc. v. Columbian Art Works, Inc.*, 717 F. Supp. 96, 113 (S.D.N.Y. 1989) ("Mere advertisement of a product by use of a mark would not constitute common law trademark use. . . . Trademark rights develop when goods bearing the mark are placed in the market and followed by continuous commercial utilization.").

The question thus remaining—apparently one of first impression in the federal courts—is whether Santam-brogio's promotional activities in the United States merited Lanham Act protection for Impressa's mark based on the ongoing business of Impressa's Fashion Cafe in Milan. We agree with Magistrate Judge Peck's conclusion, adopted by Judge Schwartz, that Santambrogio's activities in the United States were insufficient to establish "use in commerce" of the Fashion Cafe name absent proof that Impressa offered any restaurant services in United States commerce. *See Buti*, 935 F. Supp. at 470-71. As the Magistrate Judge correctly noted, although courts may not have "addressed the issue of whether U.S. advertising of a foreign business establishes United States trademark rights, the [TTAB] has, adversely to Impressa." *Id.* at 469.

The leading TTAB case in this area is *Mother's Restaurants Inc. v. Mother's Other Kitchen, Inc.*, 218 U.S.P.Q. (BNA) 1046 (TTAB 1983), in which an American restaurant applied to register the mark "Mother's Other Kitchen," and was opposed on the ground of likelihood of confusion by a chain of Canadian restaurants operating under the name "Mother's Pizza Parlor." The opposer claimed that it had made prior use of its mark in commerce through advertisements broadcast on Canadian radio stations with signals reaching the United States and promotional materials and coupons distributed at information booths along U.S. tourist routes in southern Ontario. *Id.* at 1047-48. The TTAB rejected the opposition to the extent that it was based on a claim of prior use of the mark in the United States, concluding that

> prior use and advertising of a mark in connection with goods or services marketed in a foreign country (whether said advertising occurs inside or outside the United States) creates no priority rights in said mark in the United States as against one who, in good faith, has adopted the same or similar mark for the same or similar goods or services in the United States prior to the foreigner's first use of the mark on goods or services sold and/or offered in the United States . . . .

Id. at 1048. *See also Techex, Ltd. v. Dvorkovitz*, 220 U.S.P.Q. 81, 83 (TTAB 1983) (holding same where it was "clear that opposer did not use its name in connection

with the sale of goods or the performance of any service in the United States").[2]

The principle articulated in *Mother's* Restaurants was not new, the TTAB having said as much several times previously. *See, e.g., Intermed Communications, Inc. v. Chaney*, 197 U.S.P.Q. 501, 507-08 (TTAB 1977) (doctor who arguably had publicized a service mark in the U.S. was denied trademark registration due to a lack of evidence that the underlying services had been offered to anyone in the U.S. or in commerce before or contemporaneously with the application); *Oland's Breweries [1971] Ltd. v. Miller Brewing Co.*, 189 U.S.P.Q. 481, 489 (TTAB 1976) (noting that advertising of Canadian beer in magazines circulated in United States and on U.S. radio stations, targeting American tourists, "may not be sufficient to establish technical trademark use in the United States" even if it might cause confusion as to origin among U.S.

---

[2] The TTAB indicated that the only exception to the rule in *Mother's Restaurants*, other than—implicitly—where the prior United States user failed to act in good faith, would be when "it can be shown that the foreign party's mark was . . . a 'famous' mark within the meaning of *Vaudable v. Montmartre, Inc.*, [20 Misc. 2d 757, 193 N.Y.S.2d 332] (N.Y. Sup. Ct. 1959)." *Mother's Restaurants*, 218 U.S.P.Q. at 1048. In *Vaudable*, the owner of the well-known Paris restaurant Maxim's, which had received considerable publicity and recognition in the United States over many years, was granted a permanent injunction against the use of that name by a newly opened New York restaurant. *See* 193 N.Y.S.2d at 334-36; 4 McCarthy § 29:4. The "famous mark" exception has no application here given that Impressa has made no claim under that doctrine and that the record would not Support such an argument in any event.

consumers). *Cf. Greyhound Corp. v. Armour Life Ins. Co.*, 214 U.S.P.Q. 473, 474 (TTAB 1982) ("Advertising of a service, without performance of a service, will not support registration."). Moreover, the TTAB continues to adhere to the *Mother's Restaurant* position today. *See, e.g., Linville v. Rivard*, 1996 TTAB LEXIS 32, 41 U.S.P.Q.2D (BNA) 1731, 1735-37 (TTAB 1997) (Canadian company's promotion of its "Ultracuts" hair salons, including advertising by radio, television, newspaper that reached the United States, as well as handing out coupons and other materials at the North Dakota state fair, failed to "constitute[] use of the ULTRACUTS mark in commerce" because the company "rendered no hair dressing and beauty salon services in the United States during the relevant time period").[3] n3 See also 4 McCarthy § 29:4 & n.6.

We have noted on many occasions that the decisions of the TTAB, while not binding on courts within this Circuit, are nonetheless "to be accorded great weight." *Murphy Door Bed Co. v. Interior Sleep Sys., Inc.*, 874 F.2d 95, 101 (2d Cir. 1989); *Syntex Labs., Inc. v.*

---

[3] Impressa makes much of the fact that the first decision of the TTAB in *Linville v. Rivard*, 1993 TTAB LEXIS 5, 26 U.S.P.Q.2D (BNA) 1508 (TTAB 1993), on which Magistrate Judge Peck in part relied, was vacated and remanded on other grounds, 11 F.3d 1074, 31 U.S.P.Q.2D (BNA) 1218 (Fed. Cir. 1993). Even though the remand had no bearing on the aspects of the decision cited by the Magistrate Judge, we rely—as indicated in the text—solely on the TTAB's decision after remand in *Linville*, reported at 1996 TTAB LEXIS 32, 41 U.S.P.Q.2D (BNA) 1731.

Norwich Pharmacal Co., 437 F.2d 566, 569 (2d Cir. 1971). *See also In re Dr Pepper Co.*, 836 F.2d 508, 510 (Fed. Cir. 1987) ("While the interpretations of the statute by the board are not binding on this court, under general principles of administrative law, deference should be given by a court to the interpretation by the agency charged with its administration."). We take particular comfort in our reliance on the TTAB decisions cited above because the principles enunciated therein rest on solid footing. As previously explained, the notion that trademark rights exist only as rights "appurtenant to an established business or trade in connection with which the mark is employed," *United Drug*, 248 U.S. at 97, has an enduring pedigree. Even with respect to the specific question in this case—whether the domestic advertising of an exclusively foreign company's trademark constitutes "use" of the mark under the Lanham Act—the TTAB's answer in the negative represents a well-founded application of basic trademark doctrine. Indeed, we believe the Supreme Court reached essentially the same determination, albeit in dicta, eighty years ago:

> The expression, sometimes met with, that a trade-mark right is not limited in its enjoyment by territorial bounds, is true only in the sense that wherever the trade goes, attended by the use of the mark, the right of the trader to be protected against the sale by others of their wares in the place of his wares will be sustained.

Id. at 98 (emphasis added). Thus, the TTAB's ruling in Mother's Restaurants and other cases properly reserves United States trademark protection to those foreign companies whose actual "trade goes, attended by the use of [its] mark," into United States interstate or foreign commerce. So that the issue is no longer in doubt, we hold, in keeping with the TTAB's longstanding view and the District Court's decision in this case, that the mere advertising or promotion of a mark in the United States is insufficient to constitute "use" of the mark "in commerce," within the meaning of the Lanham Act, where that advertising or promotion is unaccompanied by any actual rendering in the United States or in "commerce which may lawfully be regulated by Congress," 15 U.S.C. § 1127, of the services "in connection with which the mark is employed," *United Drug*, 248 U.S. at 97.

None of Impressa's arguments on appeal alter our conclusion. First, Impressa suggests that the relevant question in this case is more properly "whether Santambrogio's conduct could lawfully have been regulated by Congress" (emphasis added), and Impressa endeavors at length to demonstrate that the advertising and promotional activities described above were "clearly within Congress' power to regulate under . . . the Commerce Clause." We have no quarrel, of course, with Impressa's contention that, "for example, Congress's consumer protection laws regulated the vouchers [that Santambrogio] distributed," and likely many other of his advertising activities in this country as well. But where the issue concerns what conduct is regulated by the

Lanham Act, Impressa has got it precisely wrong by focusing on "Santambrogio's [advertising] conduct," as opposed to the business services in connection with which that advertising was performed. As Impressa has explicitly conceded in its briefs on appeal, it is "the restaurant services"—and not the advertising—that "must have been 'rendered in commerce'" (emphasis added) in order for Impressa's activities to fall within the "advertising of services" branch of Lanham Act Section 45. *See* 15 U.S.C. § 1127 (service mark is deemed used in commerce when, inter alia, "it is used or displayed in the sale or advertising of services and the services are rendered in commerce") (emphasis added).

Impressa also argues that the 1988 amendments to the Lanham Act, which revised Section 45's definition of "use in commerce," *see* the Trademark Law Revision Act of 1988, Pub. L. No. 100-667, § 134, 102 Stat. 3935, 3948 (1988), so broadened the language of the Act as to bring Impressa's activities within its scope. Inasmuch as the amendments made no change to the portion of the "use in commerce" definition at issue here, Impressa's argument is based entirely on the legislative history of the amendments, specifically, a Senate report stating in part that "the revised definition of 'use in commerce' . . . should be interpreted with flexibility so as to encompass various genuine, but less traditional, trademark uses, such as those made in test markets," etc. *See* S. Rep. No. 100-515, at 44-45 (1988), reprinted in 1988 U.S.C.C.A.N. 5577, 5607-08. Impressa asserts that "such test market use of a trademark would certainly include Santambrogio's

advertising of the name 'Fashion Cafe'" in the United States.

This argument is meritless, at least in the circumstances of this case. Simply put, there is insufficient evidence in the record to show that Santambrogio's advertising activities in this country constituted "test market use" of the Fashion Cafe name preparatory to the opening of a United States Fashion Cafe. To the contrary, the record indicates that Santambrogio was attempting primarily to promote the Milan Fashion Cafe by distributing T-shirts and other items, including meal vouchers, "to persons associated with the modeling and fashion industry which entitled them to free meals at the Fashion Cafe(s) in Milan." *Buti*, 935 F. Supp. at 466 (quoting Santambrogio Affidavit). Santambrogio's "fantasy" that he might one day open Fashion Cafe theme restaurants in hotels across America is insufficient to transform his advertising here into test market use. In sum, even aside from the dubious relevance of the Senate report given the clear language of the Lanham Act as revised, *see, e.g.*, *United States* v. *Reyes*, 116 F.3d 67, 71 (2d Cir. 1997) ("When the language of a statute is unambiguous, . . . the judicial inquiry ends . . . .") (citing *Connecticut Nat'l Bank* v. *Germain*, 503 U.S. 249, 253-54, 117 L. Ed. 2d 391, 112 S. Ct. 1146 (1992)), Impressa has failed to demonstrate "test market use" of the Fashion Cafe name such that its naked advertising in the United States—absent any rendering of

restaurant services here—constituted "use in commerce" of the name within the meaning of the Act.[4]

In light of our conclusion that Impressa failed to use the Fashion Cafe mark "in commerce" prior to Buti's use thereof, we affirm not only the District Court's grant of summary judgment on Buti's declaratory judgment claim, but also the grant of summary judgment dismissing Impressa's federal trademark counterclaims. The first of those claims, for false designation of origin under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), plainly fails given Buti's success in attaining a declaration that Impressa has no rights in the Fashion Cafe name. The second of the claims, for fraudulent trademark registration under Section 38 of the Lanham Act, 15 U.S.C. § 1120, is based on Impressa's contention that Buti knew of the Milan Fashion Cafe[5] and specifically chose that name for his restaurants in the United States despite—or because of—that knowledge. Thus the second federal counterclaim alleges that Buti "made false and fraudulent representations" in registering the Fashion Cafe mark, including false declarations that the mark "was not being used in commerce by other persons"—meaning

---

[4] In light of these shortcomings, we need not reach—and specifically express no opinion regarding—the validity of this putative "test market" exception to the statutory definition of "use in commerce," 15 U.S.C. § 1127.

[5] For example, Impressa emphasizes that Buti is married to fashion model Daniela Pestova, who was apparently represented at one point by Santambrogio's modeling agency, Fashion Model Management.

United States commerce as defined by the Lanham Act—and that Buti "had a right to register" the mark as his own. Under our analysis above, however, Buti's representations were manifestly true, and even if made with knowledge of Impressa's use of the mark in Milan would not be proscribed by that section of the Lanham Act. *See Person's Co., Ltd. v. Christman*, 900 F.2d 1565, 1570 (Fed. Cir. 1990) ("knowledge of a foreign use does not preclude good faith adoption and use in the United States," absent circumstances of a "famous" mark or a "nominal" use "made solely to block the prior foreign user's planned expansion into the United States"); 4 McCarthy § 29:3. Finally, we find no abuse of discretion in the District Court's decision to decline Supplemental jurisdiction, under 28 U.S.C. § 1367, over Impressa's state law counterclaims.

CONCLUSION

For all of the foregoing reasons, the decision of the District Court is affirmed in full.

Order of District Judge Allen G. Schwartz, United States District Court for the Southern District of New York

UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF NEW YORK

TOMMASO BUTI and FASHION WORLD COMPANY,

Plaintiffs,

-against-

IMPRESSA PEROSA, S.R.L.,

Defendant.

95 Civ. 3525 (AGS)

August 8, 1996, Decided
August 9, 1996, Filed

ALLEN G. SCHWARTZ, DISTRICT JUDGE:

Before the Court is Magistrate Judge Peck's Report and Recommendation urging that the Court grant plaintiffs Tommaso Buti and Fashion World Company (collectively "Buti")—owners of the "Fashion Cafe" in Rockefeller Center in Manhattan—summary judgment on their action seeking a declaratory judgment that defendant

Impressa Perosa, S.R.L. ("Impressa")—owner of a "Fashion Cafe" in Milan, Italy—does not have rights in the trademark "Fashion Cafe" for restaurant services and clothing in the United States. Magistrate Judge Peck also recommends that the Court grant Buti summary judgment dismissing Impressa's federal trademark counterclaims with prejudice and its state law claims without prejudice. Finally, Magistrate Judge Peck recommends that certain portions of the affidavit of Impressa attorney David Jaroslawicz be struck, and that Buti's request for sanctions be granted in part. For the reasons set forth below, the Court adopts the Report and Recommendation, except for its recommendation regarding the imposition of sanctions.

BACKGROUND

The Magistrate Judge thoroughly and accurately describes the facts underlying this action, see Report and Recommendation at ¶¶ 3-12, and they will not be repeated here. In a well-reasoned Report and Recommendation, the Magistrate Judge recommends that this Court grant Buti's summary judgment motion as to Impressa's federal trademark counterclaims because Impressa did not "use" the mark "Fashion Cafe" in the United States prior to Buti's trademark registration and use. The Magistrate Judge further recommends that Buti be awarded a declaratory judgment that Impressa does not have any trademark in the name "Fashion Cafe" in the United States, and that Buti did not infringe any such rights.

With regard to Buti's motion to strike certain affidavits submitted by Impressa and his request for sanctions, Magistrate Judge Peck recommends that certain portions of the affidavit of Impressa's attorney David Jaroslawicz be stricken, and that Buti's request for sanctions be granted "to the limited extent of the reasonable cost of researching and preparing that portion of the motion to strike dealing with defense counsel's affidavit." Report and Recommendation at 34-35.

Impressa has timely filed objections to the Magistrate Judge's Report and Recommendation. After consideration, the Court rejects all of the objections, except those regarding the imposition of sanctions.

DISCUSSION

I. Disposition of Lanham Act Claims

The Court has conducted a *de novo* review of the record and arguments considered by the Magistrate Judge and concludes that the Magistrate Judge's recommendations regarding disposition of the Lanham Act claims should be adopted by this Court. As Impressa recognizes, the critical issue with respect to the Lanham Act claims asserted by each party is whether the plaintiffs or the defendant were first to use the name "Fashion Cafe" in commerce, as the phrase "use in commerce" is defined in the Lanham Act, 15 U.S.C. § 1127. *See* Defendant and Counterclaim Plaintiff's Objections to the Magistrate Judge's Report and Recommendation ("Objections") at 3.

The Court agrees with the Magistrate Judge's conclusion that the activities engaged in by Impressa officer Giorgio Santambrogio—including advertising and promotion of the Milan "Fashion Cafe" unconnected to an established United States business[1]—do not constitute "use in commerce" in the United States so as to confer upon Impressa rights in the "Fashion Cafe" mark in the United States. Rather than ignoring the definition of use in commerce," as Impressa contends, the Magistrate Judge's Report and Recommendation refers to and quotes the statutory definition, and cites case law interpreting it. *See* Report and Recommendation at 14.

The Report and Recommendation begins its analysis of the trademark priority issues by referring to the territoriality doctrine, under which a trademark is recognized as having a separate existence in each sovereign territory in which it is registered or legally recognized as a mark. Thus, it is clear that Impressa does not derive any right to the "Fashion Cafe" mark in the United States from either its trademark registration of

---

[1] The Magistrate Judge also rejected Impressa's argument that its negotiation for future "Fashion Cafe" restaurants at various U.S. hotels or with United States restaurateurs before the opening of Buti's New York "Fashion Cafe" constitutes use of the mark in the United States. Report and Recommendation at 21 n.10. Impressa contends that the Report and Recommendation appears to have overlooked" Impressa's arguments that negotiating for a "Fashion Cafe" constitutes use in commerce. Objections at 6 n.5. However, it is clear that the Magistrate Judge considered and explicitly rejected these arguments.

"Fashion Cafe" in Italy in 1988 or from its operation since 1987 of the Milan "Fashion Cafe."

The Report and Recommendation addresses the effect of Impressa's efforts to advertise and promote the Milan "Fashion Cafe" in the United States. Magistrate Judge Peck concludes that (1) "mere advertising" unconnected to an established business is not "use" under the Lanham Act, and (2) United States advertising of a foreign business is not "use" of the mark in the United States. Noting that the federal courts do not appear to have addressed the second issue, Magistrate Judge Peck points out that decisions of the Patent and Trademark Office's Trademark Trial and appeal Board ("TTAB") have resolved the issue adversely to Impressa's position in this litigation.[2] After summarizing the holdings of these decisions, the Magistrate Judge concludes that although there was advertising of the Milan "Fashion Cafe" in the United States, such advertising only had an impact on commerce in Milan; all restaurant services were rendered there, any profit flowed there, and one must be in Milan to avail oneself of the restaurant services. Report and Recommendation at 19 n.8. Thus, the Magistrate Judge concluded, "there is no impact on United States commerce

---

[2] The Magistrate Judge recognized that decisions of the TTAB are not binding on this Court, but are nevertheless entitled to great weight. Contrary to the assertions of Impressa, nothing about the Magistrate Judge's reliance on the two TTAB decisions is improper. Rather than being inapposite, these decisions are directly on point and provide strong Support for the Magistrate Judge's recommendation.

and no use or rights to the mark in the United States."[3] *Id.* The Court agrees, and rejects Impressa's argument (unsupported by any directly relevant authority) that the distribution of vouchers for free meals (among other promotional activities) satisfies the Lanham Act's definition of "use in commerce," when Impressa rendered no restaurant services in the United States and its activities had no impact on United States commerce.

In the Court's view, the Magistrate Judge's conclusions and recommendations constitute an entirely correct resolution of the trademark issues. Accordingly, the Court adopts Magistrate Judge Peck's recommendations regarding disposition of the Lanham Act claims.

II. Dismissal of State Law Counterclaims

Impressa also argues that the Report and Recommendation is erroneous to the extent that it recommends the dismissal of Impressa's state law counterclaims "without prejudice". Impressa contends

---

[3] The Magistrate Judge also considered the applicability of two exceptions to the general rule, enunciated in the TTAB cases, that United States advertising of a foreign business is not "use" in the United States. First, the Magistrate Judge concluded that Impressa was unable to show bad faith on the part of plaintiffs in adopting the "Fashion Cafe" mark. Second, the Magistrate Judge concluded that the Milan "Fashion Cafe" is not well known in this country and therefore does not qualify for the exception afforded "famous" marks. The Court joins in both of these conclusions.

that there is diversity or alienage jurisdiction[4] over these claims, and that the Magistrate Judge overlooked this basis of jurisdiction when he recommended that the Court decline to exercise Supplemental jurisdiction over Impressa's state law counterclaims. The Court rejects this objection for the reasons set forth below.

First, the Court notes that Impressa failed to explicitly plead diversity jurisdiction in its Answer and Counterclaims. It is firmly established that diversity of citizenship "should be distinctly and positively averred in the pleadings, or should appear with equal distinctness in other parts of the record." *Leveraged Leasing Admin. Corp. v. PacifiCorp Capital, Inc.*, 87 F.3d 44, 47 (2d Cir. 1996) (citation and internal quotations omitted). Impressa now seeks to invoke the Court's diversity jurisdiction by making jurisdictional allegations in its Objections to the Magistrate Judge's Report and Recommendation. Despite the deficiencies in Impressa's pleading regarding diversity jurisdiction, the Court has addressed the merits of Impressa's jurisdictional argument.

A careful review of the case law regarding the effect of a 1988 amendment to the diversity statute on the scope of alienage jurisdiction leads to the conclusion that there is no basis for such jurisdiction in this lawsuit between an

---

[4] Suits involving aliens (citizens of foreign nations) are more specifically referred to as subject to alienage jurisdiction. For the purposes of this order, the Court will use the terms "diversity jurisdiction" and "alienage jurisdiction" interchangeably.

Italian citizen and a New York limited partnership, on one side, and an Italian corporation, on the other.

It appears undisputed that Impressa is an Italian corporation, Complaint ¶ 3, and that Plaintiff Fashion World Company is a New York Limited Partnership.[5] Complaint ¶ 2. The citizenship of Buti for diversity jurisdiction purposes is not nearly so clear. Impressa argues that Buti, an Italian citizen in the United States on a permanent visa, should be considered a citizen of New York for the purposes of diversity jurisdiction because he is domiciled here. Objections at 14 n.7. Impressa thus contends that because it is an Italian corporation, and the plaintiffs are a New York limited partnership and a New York domiciliary, this Court has diversity jurisdiction.

The Court rejects Impressa's analysis. For purposes of diversity jurisdiction, it is clear that Article III of the Constitution does not afford Congress the power to grant the federal courts jurisdiction over an action between two aliens. *See, e.g., Mossman v. Higginson,* 4 U.S.

---

[5] The fact that Fashion World Company is a New York limited partnership does not make it a New York citizen for purposes of diversity jurisdiction; the citizenship of all of its general and limited partners must be taken into account. *See Carden v. Arkoma Associates,* 494 U.S. 185, 108 L. Ed. 2d 157, 110 S. Ct. 1015 (1990). For diversity purposes, a partnership is deemed to take on the citizenship of each of its partners. *Cresswell v. Sullivan & Cromwell,* 922 F.2d 60, 69 (2d Cir. 1990). Impressa has not Supplied any information regarding the citizenship of Fashion World Company's partners. Nevertheless, the Court will treat Fashion World Company as a New York citizen for the purpose of resolving Impressa's objections,

(continued next page)

(4 Dall.) 12, 14, 1 L. Ed. 720 (1800) ("the legislative power of conferring jurisdiction on the federal Courts, is, in this respect, confined to suits between citizens and foreigners"); *Jackson v. Twentyman*, 27 U.S. (2 Pet.) 136, 136, 7 L. Ed. 374 (1829) ("the judicial power was not extended to private suits, in which an alien is a party, unless a citizen be the adverse party"); *Joseph Muller Corp. v. Societe Anonyme de Gerance et D'Armement*, 451 F.2d 727, 729 (2d Cir. 1971) ("all parties are aliens, and neither the constitutional nor statutory grants of jurisdiction include such a suit"), cert. denied, 406 U.S. 906 (1972).

It is equally clear that, at least since *Strawbridge v. Curtiss*, 7 U.S. (3 Cranch) 267, 2 L. Ed. 435 (1806), the federal courts have followed the complete diversity rule that "diversity jurisdiction does not exist unless each defendant is a citizen of a different State from each plaintiff." *Owen Equipment & Erection Co. v. Kroger*, 437 U.S. 365, 373, 57 L. Ed. 2d 274, 98 S. Ct. 2396 (1978).

Combining these two rules, the Courts have regularly found that there is no subject matter jurisdiction over actions brought by an alien against another alien and a citizen of a state. *See, e.g., Ex Parte Edelstein*, 30 F.2d 636, 638 (2d Cir.) (Hand, J.) ("concededly an alien may not sue an alien in a federal court") cert. denied, 279 U.S. 851, 73 L. Ed. 994, 49 S. Ct. 347 (1929); *IIT v. Vencap*, 519 F.2d 1001, 1015 (2d Cir. 1975) ("Diversity jurisdiction under 28 U.S.C. § 1332 is defeated by the presence of aliens both as

---

because other considerations defeat diversity jurisdiction.

plaintiffs and as defendants") (citation omitted); *Corporacion Venezolana de Fomento v. Vintero Sales Corp.*, 629 F.2d 786, 790 (2d Cir. 1980) ("We have held that the presence of aliens on two sides of a case destroys diversity jurisdiction"), cert. denied, 449 U.S. 1080, 66 L. Ed. 2d 804, 101 S. Ct. 863 (1981); *Fosen v. United Technologies Corp.*, 484 F. Supp. 490, 495 (S.D.N.Y.) ("plaintiffs are Norwegian, the defendant ANA is Japanese; the fact that other defendants in this suit are citizens of a state does not cure this jurisdictional defect") (citation omitted), aff'd, 633 F.2d 203 (2d Cir. 1980); *Ed and Fred, Inc. v. Puritan Marine Insurance Underwriters Corp.*, 506 F.2d 757, 758 (5th Cir. 1975) ("applied to suits brought by aliens, the rule of complete diversity would divest the district court of Section 1332 jurisdiction"); *Eze v. Yellow Cab Co. of Alexandria*, 251 U.S. APP. D.C. 206, 782 F.2d 1064, 1065 (D.C. Cir. 1986) ("under long-held precedent, diversity must be 'complete.' . . . A diversity suit in line with the Strawbridge rule, may not be maintained in federal court by an alien against a citizen of a state and a citizen of some other foreign country").

It follows from the cases referred to above that, without some exceptional grant of jurisdiction, there is no diversity jurisdiction in an action between Impressa, an alien corporation, and Buti, also an alien. The presence of aliens on both sides of the controversy would defeat diversity jurisdiction. However, the last sentence of 28 U.S.C. § 1332(a), added in 1988 by the Judicial Improvements and Access to Justice Act, would afford subject matter jurisdiction if the Act were to be followed literally.

The Act added the following language to the diversity statute:

> For the purposes of this section . . . an alien admitted to the United States for permanent residence shall be deemed a citizen of the State in which such alien is domiciled.

28 U.S.C. § 1332(a). Pursuant to this statute, Buti would be "deemed" a citizen of New York, and "complete" diversity would then exist: Impressa, an alien corporation, would be suing Buti, a New York citizen, and Fashion World Company, a New York citizen.

However, several district courts, including at least two judges in this district, have rejected a literal application of the 1988 amendment in similar circumstances. *See Lloyds Bank PLC v. Norkin*, 817 F. Supp. 414 (S.D.N.Y. 1993) (holding that there was no alienage jurisdiction despite language of 1988 amendment); *A.T.X. Export, Ltd. v. Mendler*, 849 F. Supp. 283 (S.D.N.Y. 1994) (same); *Arai v. Tachibana*, 778 F. Supp. 1535 (D.Haw. 1991) (same); contra *Singh v. Daimler Benz AG*, 9 F.3d 303 (3d Cir. 1993) (holding, contrary to *Lloyds Bank* and *Arai*, that there was diversity jurisdiction in action between resident alien and nonresident alien and its American affiliate). The district court opinions have appropriately recognized that the 1988 amendment was intended to restrict, not expand, diversity jurisdiction. "It was designed to preclude federal jurisdiction in an action in which a resident alien is sued by a citizen of the same state. This provision was not intended to expand the diversity jurisdiction of federal

courts in the case of resident aliens." *A.T.X. Export*, 849 F. Supp. at 284.

In a comprehensive treatment of the legislative history of the 1988 amendment and the judicial inter-interpretation of Article III, Judge McKenna rejected a literal reading of the 1988 amendment in *Lloyds Bank*, a case involving a suit by an alien corporation against a citizen of New York and an alien domiciled in New York—circumstances analogous to those here. Judge McKenna noted that the actual language of the diversity statute as amended would require that the alien domiciled in New York be deemed a citizen of New York for purposes of diversity jurisdiction, "thus creating complete diversity by abrogating the established rule that subject matter jurisdiction does not exist where an alien is a plaintiff and an alien is a defendant." *Lloyds Bank*, 817 F. Supp. at 419. Judge McKenna held that such a result goes beyond the jurisdiction conferred by prior acts of Congress as consistently construed by the courts, and that there is no evidence that Congress in any way intended to abrogate this rule by enacting the 1988 amendment. *Id.* Therefore, he held that, despite the language of the 1988 amendment, there was no basis for alienage jurisdiction. Judge Cedarbaum reached the same result in *A.T.X. Export*, following Judge McKenna's decision in *Lloyds Bank*.

This Court agrees with Judge McKenna's thorough discussion of the statutory and constitutional issues in *Lloyds Bank*. There is no evidence that Congress, by enacting the 1988 amendment to the diversity statute,

intended to abrogate the long-standing rule that there is no diversity jurisdiction where aliens are parties on both sides of a lawsuit. Because both Buti and Impressa are citizens of a foreign sovereign, this Court does not have diversity jurisdiction over a suit between them. Impressa's objections based on the purported existence of diversity jurisdiction are therefore rejected.

Furthermore, this Court agrees with Magistrate Judge Peck's recommendation that this Court decline to exercise Supplemental jurisdiction over Impressa's state law counterclaims for the reasons set forth in the Report and Recommendation. *See* Report and Recommendation at 32-33. Accordingly, the Magistrate Judge's recommendation to dismiss Impressa's state law counterclaims without prejudice is adopted by this Court.

III. Recommendation Regarding Sanctions

Impressa also objects to the portion of the Report and Recommendation that recommends the imposition of sanctions on Impressa for submitting the affidavit of attorney David Jaroslawicz in opposition to plaintiffs' summary judgment motion. The Magistrate Judge recommends striking the Jaroslawicz affidavit, except for its submission of exhibits containing discovery materials, and that Buti's request for sanctions be granted "to the limited extent of the reasonable cost of researching and preparing that portion of the motion to strike dealing with defense counsel's affidavit."

The Court adopts the Magistrate Judge's recommendation regarding striking portions of the affidavit but declines to adopt the recommendation regarding sanctions. The Jaroslawicz affidavit does appear to include facts not based on personal knowledge, and thus is technically improper. However, the Court finds that counsel's submission of this affidavit was not so egregious as to justify the imposition of sanctions. Buti sought sanctions under Rule 56(g) of the Federal Rules of Civil procedure, which permits a court to require a party to pay reasonable attorney's fees incurred by virtue of an affidavit "presented in bad faith or solely for the purpose of delay." In the Court's view, an insufficient showing has been made that the Jaroslawicz affidavit was submitted in bad faith or solely for the purposes of delay. Accordingly, the Court declines to adopt the recommendation regarding sanctions.

CONCLUSION

For the reasons set forth above, the Court adopts the Magistrate Judge's Report and Recommendation, except for its recommendation regarding the imposition of sanctions. Plaintiffs are granted summary judgment on their claims seeking a declaratory judgment that Impressa does not have rights in the trademark "Fashion Cafe" for restaurant services and clothing in the United States and that Buti did not infringe any such rights. Plaintiffs are also granted summary judgment dismissing Impressa's federal trademark counterclaims with prejudice and its

state law claims without prejudice. The parties are to submit proposed judgments to the Court's Judgment Clerk on five days notice.

SO ORDERED.

Dated: New York, New York
August 8, 1996

Report And Recommendation of Magistrate Judge Andrew J. Peck, Untied States District Court For The Southern District Of New York

UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF NEW YORK

TOMMASO BUTI and FASHION WORLD COMPANY,

Plaintiffs,

-against-

IMPRESSA PEROSA, S.R.L.,

Defendant.

95 Civ. 3525 (AGS)

July 18, 1996, Decided

TO THE HONORABLE ALLEN G. SCHWARTZ, United States District Judge:

Plaintiffs Tommaso Buti and Fashion World Company (collectively "Buti"), owners of the "Fashion Cafe" in Rockefeller Center in Manhattan, brought this action seeking a declaratory judgment that defendant Impressa Perosa, owner of a "Fashion Cafe" in Milan, Italy, does not have rights in the trademark "Fashion

Cafe" for restaurant services and clothing in the United States. Defendant Impressa Perosa asserted counterclaims against Buti for, *inter alia*, misappropriation and false designation of origin in violation of § 43(a) of the Lanham Act, 15 U.S.C. § 1125.

Presently before the Court is plaintiff Buti's motion for summary judgment on all claims in the complaint and in Impressa Perosa's counterclaims.[1] For the reasons set forth below, I recommend that the Court grant plaintiff Buti's summary judgment motion as to Impressa Perosa's federal trademark counterclaims since Impressa Perosa did not "use" Fashion Cafe in the United States prior to Buti's trademark registration and use. I further recommend that plaintiff Buti be awarded a declaratory judgment that Impressa Perosa does not have any trademark in the name "Fashion Cafe" in the United States, and thus that plaintiff Buti did not infringe on any such rights. Finally, I recommend that the Court dismiss Impressa Perosa's state law counterclaims without prejudice.

---

[1] Plaintiff Buti originally moved to dismiss defendant's counterclaims for failure to state a claim. After the close of discovery, Buti submitted additional papers and requested that the motion be converted into a summary judgment motion. Although defendant Impressa Perosa objects to this conversion (see Def's S.J. Br. at 2), it filed responsive papers to the summary judgment motion, attaching voluminous deposition transcripts and affidavits. Thus, defendant is not prejudiced by treating the motion as a summary judgment motion.

While defendant Impressa Perosa did not cross-move for summary judgment, in its brief opposing plaintiff's summary judgment motion, Impressa Perosa asks the Court to "search the record," grant defendant summary judgment on the counterclaims, and schedule a damages trial after a short damages discovery period. (See Def's S.J. Br. at 13-14.) For the reasons set forth below, I recommend that defendant's "request" for summary judgment be denied.

FACTS

While certain facts are hotly disputed, summary judgment is not precluded because the disputed facts are not material to the legal issues necessary to decide the pending motion. Indeed, even assuming the version of the facts most favorable to defendant, Buti still is entitled to summary judgment as a matter of law. As both parties' agree, the "factual crux of this case is whether the defendant used the name 'Fashion Cafe' in commerce, as defined by the trademark statute, 15 U.S.C. § 1127, before the plaintiff began using the name in commerce." (Def's S.J. Br. at 2.)

Plaintiff Buti's Miami Beach and New York Fashion Cafes

In May 1993, plaintiff Tommaso Buti opened a restaurant named the "Fashion Cafe" in Miami Beach,

Florida.[2] (Buti 3(g) ¶ 1; Buti Aff. ¶ 2.) Buti maintains that he chose the name to identify with South Beach's flourishing modeling industry and to capitalize on his associations with the fashion industry (he is married to fashion model Daniela Pestova). (Buti S.J. Br. at 2; Buti 3(g) ¶¶ 2-3; Buti Aff. ¶ 4; Buti Dep. at 68-69.)

Buti maintains that when he opened his Miami "Fashion Cafe," he had never heard of or patronized the defendant's Milan "Fashion Cafe." (Buti 3(g) ¶ 4; Buti Aff. ¶ 3.)

In June-July 1994, "Buti commenced plans to open a franchise of theme restaurants, similar to Hard Rock Cafe or Planet Hollywood, but focusing on the fashion model industry instead of rock and roll or film." (Buti 3(g) ¶ 7; Buti Aff. ¶¶ 5, 8, 9.) Buti hired the law firm of Stroock Stroock & Lavan ("Stroock") to perform a trademark search of the "Fashion Cafe" name. (Buti 3(g) ¶ 8; Buti Aff. ¶¶ 5-6; Affidavit of Steven Pokotilow, a Stroock partner, ¶ 3.) After Stroock reported that there was no use or registration of the "Fashion Cafe" mark in the United States, Buti filed an application with the U.S. Patent and Trademark Office for registration of the mark "Fashion

---

[2] Buti changed that restaurant's name to "Fashion on the Beach" and later to "Mezzaluna," allegedly to avoid confusion with the "Fashion Cafe" chain that he opened in New York. (Buti Dep. at 22-25, 30-32.) Mr. Santambrogio, the principal owner/officer of defendant Impressa Perosa, alleges that Buti changed the name of the Miami Beach "Fashion Cafe" at Santambrogio's request. (Santambrogio Aff. at p. 4-5.) Buti denies ever discussing the Miami

(continued next page)

Cafe." (Buti 3(g) ¶¶ 9-10; Pokotilow Aff. ¶¶ 4-5; Buti Aff. ¶ 6.)

In early December 1994, Buti publicized the ground-breaking for the New York Fashion Cafe, including promotion by "supermodels" Claudia Shiffer, Elle Macpherson, Naomi Campbell and Christy Turlington. (Buti 3(g) ¶ 11; Buti Aff. ¶¶ 11, 13.)[3] This generated thousands of television, newspaper and magazine articles worldwide. (Buti 3(g) ¶ 12; Buti Aff. ¶ 13; Buti S.J. Mtn. Ex. E: Affidavit of Celia A. Maiset, ¶¶ 4-5 & attachments thereto.)

Plaintiff Buti's Fashion Cafe restaurant opened in New York on April 7, 1995. (Buti 3(g) ¶ 13; Buti Aff. ¶ 8; see Defs' 3(g) ¶¶ 11-12.) The New York Fashion Cafe features a "fashion model motif" with fashion photographs displayed, fashion shows on large-screen televisions, and a large camera lens as the restaurant's entrance. (Buti 3(g) ¶ 13; Buti Aff. ¶ 9; see Defs' 3(g) ¶¶ 11-12.) "A key feature of [plaintiff's] Fashion Cafe restaurants is the marketing of an extensive line of apparel and souvenirs bearing the Fashion Cafe logo. The restaurants also serve high quality American cuisine in an elegant setting." (Buti Aff. ¶ 10.) Buti invested over ten million dollars to open and operate the New York Fashion

---

restaurant with Mr. Santambrogio. (Buti Dep. at 22.)

[3] Defendant Impressa Perosa also asserted counterclaims against Macpherson, Campbell and Turlington. (*See* Impressa Perosa's "Amended Answer and Counterclaims" [hereafter, "Counterclaims" ¶¶ 23-26.) After discovery, defendant dismissed the counterclaims against the three supermodels.

Cafe, which in its first year of operation had sales exceeding ten million dollars. (Buti 3(g) ¶¶ 15, 16; Francesco Buti Aff. ¶¶ 4, 6.) Buti has opened another Fashion Cafe in New Orleans, and several others are under construction. (Buti 3(g) ¶ 18; Francesco Buti Aff. ¶ 7.)

Defendant Santambrogio's Milan Fashion Cafe

Giorgio Santambrogio is an officer and 33% owner of defendant Impressa Perosa, an Italian company.[4] (Santambrogio Aff. at p. 1; Santambrogio Dep. at 111.) Santambrogio has ownership interests in several businesses including the Fashion Model Management modeling agency located in Milan, Italy, and two restaurants/cafes in Milan known as the Fashion Cafe and the Grand Fashion Cafe. (Santambrogio Aff. at p. 2.) The Fashion Cafe is a "bar with a cafeteria," not a restaurant, which opened in Milan in 1987; the Grand Fashion Cafe is a restaurant which opened in Milan for one night in October 1994 and then formally opened on February 17, 1995. (Santambrogio Aff. at p. 2; Santambrogio Dep. at 101, 122, 172, 185-89, 231; Defs' 3(g) ¶ 15; Buti 3(g) ¶ 19, 28.) This litigation centers on the Milan "Fashion Cafe" bar-cafeteria, not the 1995 Milan Grand Fashion Cafe restaurant. (See Santambrogio Dep. at 228.)

---

[4] The Court will use the names "Santambrogio" and "Impressa Perosa" interchangeably in this Report and Recommendation.

Impressa Perosa registered the Fashion Cafe trademark in Italy in April 1988. (Santambrogio Aff. at 9; Santambrogio Aff. Ex. C; Santambrogio Dep. at 55, 61; Buti 3(g) ¶ 21.) Santambrogio maintains that he purchased the name "Fashion Cafe" from Impressa Perosa two to four years ago so that he could develop the business "all over the world." (Santambrogio Dep. at 39-40.)[5]

Santambrogio never opened a restaurant in the United States, nor did he ever sell any food or other merchandise in the U.S. (Santambrogio Dep. at 107; Santambrogio Aff. at p. 8; Def's S.J. Br. at 6.) Santambrogio never hired a public relations firm or advertising agency in the United States to promote the Fashion Cafe, and no newspaper articles were ever written about his Fashion

---

[5] However, in his affidavit, Santambrogio asserts that Impressa Perosa is the legal owner of the name and trademark, and that Impressa Perosa merely authorized Santambrogio to use the name in his individual capacity. (Santambrogio Aff. at p. 1.) Santambrogio also testified at his deposition that Impressa Perosa sold the Milan Fashion Cafe to a company named "GR1" (of which Santambrogio is a 30% partner). (Santambrogio Dep. at 110-11.) GR1, in turn, leased the name "Fashion Cafe" to a "leasing company" named Agape for 300 million Lire. (*Id.*; Buti 3(g) ¶ 23; Def's 3(g) ¶ 17.)

Buti seeks summary judgment on the counterclaims on the additional ground that Impressa Perosa is not the proper party. (Buti S.J. Br. at 21-22; Buti S.J. Reply Br. at 13-14.) Because of my recommendation on the merits, I need not reach Buti's improper party argument.

Cafe. (Santambrogio Dep. at 222; see Buti S.J. Mtn. Ex. I: Affidavit of Miguel de la O, ¶¶ 3-5.)

When Santambrogio visited the U.S., he promoted his Milan Fashion Cafe by giving to models free T-shirts, small gift items with the Milan Fashion Cafe name, business cards and "vouchers" for free food and beverages. (Santambrogio Dep. at 220-21; Santambrogio Aff. at p. 3.) Santambrogio maintains that he distributed "literally thousands of T-shirts, cards, and key chains with the [Milan] Fashion Cafe name and logo to persons associated with the modeling and fashion industry which entitled them to free meals at the Fashion Cafe(s) in Milan. . ." (Santambrogio Aff. at p. 9; see also Affidavit of Faith Kates, at p. 2.)

Santambrogio had a "fantasy" "in his brain" that he would approach American hotel chains such as Hilton or Sheraton and try to expand his Milan restaurant into a United States chain, but he admits that he never approached any of the hotel chains about his idea. (Santambrogio Dep. at 161-62, 319-20.)[6]

---

[6] The deposition testimony in question reads as follows:

Q: You never spoke to Hilton or Sheraton or Marriott though?

A: This was in my brain. This was in my brain like I tell you now. Unfortunately, no.

Q: Was it on paper anywhere?

A: No. In the brain is more than the paper because it's more fantasy. You cannot write down what you think in one second. It takes one year.

(continued next page)

When Impressa Perosa heard of Buti's plans to open the New York Fashion Cafe, Impressa Perosa attempted to register the name Fashion Cafe in the United States in December 1994, after Buti had registered his name with the Patent and Trademark Office. (Buti 3(g) ¶ 29; Santambrogio Dep. at 64, 250; Santambrogio Aff. at p. 6.)

Q: So these ideas about using the name in the United States were in your brain?

A: Sure.

(Santambrogio Dep. at 161-62.)

Q: What other . . . points within the United States were you planning to open a Fashion Cafe?

A: I don't know. Everywhere. Everywhere. Because as I told you yesterday, I have a lot of fantasy and the fantasy is basically what makes a business or new idea going. Even if can be ridiculous, my fantasy was to get in touch with the biggest hotel group in America like Sheraton or the biggest mall in America or Hilton group, they own hotels everywhere, Las Vegas, New Orleans, Los Angeles, everywhere they have hotels. So in every hotel to open a nice—a nice, because they have a license, they don't need anything and they can be very fast because they have buying capitals to open a nice Fashion Cafe. Fashion Cafe in Hilton Hotel. Fashion Cafe in Sheraton Hotel. It would be fantastic.

Q: That was your fantasy?

A: It was a fantasy that could be done. Everything has to be, to start with a fantasy. . . .

(*Id.* at 319-20.)

Buti's Knowledge of the Milan Cafe

Buti claims that when he "opened the Fashion Cafe restaurant in Miami Beach [in 1993], [he] had never visited the Fashion Cafe in Milan, nor was [he] aware of its existence." (Buti Aff. ¶ 3; Buti 3(g) ¶ 4.) Buti further testified that he had never discussed his Miami restaurant with Santambrogio. (Buti Dep. at 22.)

Santambrogio responds that "Mr. Buti's statement that he never visited the Fashion Cafe in Milan, Italy is simply false because I, and hundreds of other persons, personally witnessed his presence there on more than one occasion." (Santambrogio Aff. at p. 3; see also *Id.* at p. 2, 4, 9.) This testimony, however, is directly contradicted by Santambrogio's deposition testimony in which he admits that he never saw Buti (or Buti's wife) in the Milan Fashion Cafe. (Santambrogio Dep. at 147-48.)

According to Santambrogio: He and Buti met in late 1993 at the Milan Fashion Cafe and Buti "proudly displayed to me a postcard showing a restaurant cafe he had opened in Miami Beach, Florida, also named the Fashion Cafe." (Santambrogio Aff. at p. 4.) Santambrogio advised Buti that "he had no rights to use the name Fashion Cafe because that name had been trademarked by [Santambrogio] . . . and that [Santambrogio] intended to file a trademark for the name in the United States. . . ." (*Id.*) Buti apologized and "stated he would stop using the name of Fashion Cafe in the United States." (*Id.* at p. 4-5.) Buti later advised Santambrogio that he had changed the name

of the Miami restaurant to "Fashion on the Beach," which he hoped would satisfy Santambrogio. (*Id.* at p. 5.) After Santambrogio advised Buti that he would prefer that the restaurant not have the word "fashion" in the title, Buti again changed the restaurant name. (*Id.*)

Santambrogio's Threat of Litigation and This Lawsuit

On January 19, 1995—one month after the groundbreaking for the New York Fashion Cafe and its attendant worldwide publicity—counsel for Impressa Perosa wrote to Buti demanding that Buti "cease and desist" from using the "Fashion Cafe" name, and threatened litigation if Buti did not comply. (Santambrogio Aff. at p. 6 & Ex. A; Buti 3(g) ¶ 30.) Buti filed this declaratory judgment action in response. (Buti 3(g) ¶ 31; Buti Aff. ¶ 14.)

Plaintiff Buti's complaint seeks, inter alia, a declaratory judgment that "Defendant does not have rights in the trademark 'Fashion Cafe' for restaurant services or clothing in the United States" and that "Plaintiffs do not infringe trademark rights of Defendant, if such rights exist, . . ." (Cplt., "Wherefore" ¶¶ A-B.)

Defendant Impressa Perosa asserts six counterclaims. The first counterclaim, for misappropriation and false designation of origin, alleges that Buti deliberately and willfully violated Section 43(a) of the Lanham Act, 15 U.S.C. § 1125, by infringing on defendant's rights in the name "Fashion Cafe." (Counterclaims ¶¶ 23-51.)

Defendant's second counterclaim alleges that Buti's trademark application contained false and fraudulent declarations (i.e., that no one else was using that mark), which damaged defendant. (Counterclaims ¶¶ 52-58.) The third counterclaim alleges that Buti misappropriated defendant's concepts and the name "Fashion Cafe." (Counterclaims ¶¶ 59-65.) The fourth counterclaim alleges that Buti engaged in unfair and deceptive business practices in violation of N.Y. General Business Law § 349 et seq. (Counterclaims ¶¶ 66-73.) The fifth counterclaim alleges unfair competition. (Counterclaims ¶¶ 74-78.) Finally, the sixth counterclaim seeks injunctive relief for violation of the Lanham Act, 15 U.S.C. § 1115, and N.Y. General Business Law § 349. (Counterclaims ¶¶ 79-84.)

ANALYSIS

I. BUTI'S SUMMARY JUDGMENT MOTION SHOULD BE GRANTED ON THE FEDERAL TRADEMARK LAW CLAIMS AND COUNTERCLAIMS BECAUSE IMPRESSA PEROSA DID NOT USE THE "FASHION CAFE" MARK IN THE UNITED STATES

A. Buti Should Be Granted Summary Judgment on Buti's Federal Trademark Claim and Defendant's First Counterclaim (Under 15 U.S.C. § 1125)

The central issue on plaintiff's declaratory judgment claim, and on defendant's first counterclaim for misappropriation and false designation of origin pursuant to Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), is whether plaintiff or defendant has superior rights to the name "Fashion Cafe" in the United States.

Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a)(1), provides:

> Any person who, on or in connection with any goods or services, . . . uses in commerce any word, term, name, symbol, or device . . . or any false designation of origin . . . shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

"Ownership of trademark or trade dress rights in the United States is obtained by actual use of a symbol to identify the goods or services of one seller. . . . The way to obtain rights in a business symbol is to actually use it as a mark. 2 J. McCarthy, McCarthy on Trademarks & Unfair Competition [hereafter "McCarthy"] § 16.01[1] (3d ed. 1996) (emphasis in original) "Use" means "'the bona fide use of a mark in the ordinary course of trade, and not merely to reserve a right in a mark.'" 2 McCarthy § 16.02[2], quoting 15 U.S.C. § 1127. "Unlike patent law, rights in trademarks are not gained through discovery or invention of the mark, but only through actual usage. Trademark priority is not automatically granted to the person who was first to conceive of the idea of using a given symbol as a mark. . . . To acquire ownership of a

trademark, one must actually use the mark in the sale of goods or services." *Id.* § 16.03.

When two or more companies adopt the same mark, basic rules of trademark priority determine use and ownership of the mark. *E.g.*, *McKay v. Mad Murphy's, Inc.*, 899 F. Supp. 872, 881 (D. Conn. 1995) (citing McCarthy). The Second Circuit has outlined the criteria to determine priority in a mark:

> Under familiar trademark principles, the right to exclusive use of a trademark derives from its appropriation and subsequent use in the marketplace. The user who first appropriates the mark obtains an enforceable right to exclude others from using it, as long as the initial appropriation and use are accompanied by an intention to continue exploiting the mark commercially . . . . Adoption and a single use of the mark may be sufficient to entitle the user to register the mark . . . . To prove bona fide usage, the proponent of the trademark must demonstrate that his use of the mark has been deliberate and continuous, not sporadic, casual or transitory.

La Societe Anonyme des Parfums Le Galion v. Jean Patou, Inc., 495 F.2d 1265, 1271-72 (2d Cir. 1974).

Determination of priority here depends on the meaning of the "use" of a mark "in commerce." The Lanham Act provides in 15 U.S.C. § 1127 that:

> [A] mark shall be deemed to be in use in commerce—

> (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

Indeed, Impressa Perosa "has no quarrel with the plaintiffs . . . that an allegation of actual use of a trademark, service mark or trade name in commerce is necessary to assert a claim pursuant to § 43(a) of the Lanham Act, 15 U.S.C. § 1125, or that the required sort of commerce is commerce within the United States or commerce between the United States and a foreign country." (Def's Br. in Opposition to Plaintiffs' Motion to Dismiss, at 11 & n.9, citing *Person's Co. v. Christman*, 900 F.2d 1565, 1568 (Fed. Cir. 1990); see also Def's S.J. Br. at 2, 6, 8.)

1. Impressa Perosa's 1988 Italian Trademark Registration and Use of the Mark in Italy Do Not Give It Rights to the Mark in the United States

As explained in McCarthy's trademark treatise:

> Under the territoriality doctrine, a trademark is recognized as having a separate existence in each sovereign territory in which it is registered or legally recognized as a mark. . . .
>
> Priority of trademark rights in the United States depends solely upon priority of use in the United States, not on priority of use anywhere in the world. Prior use in a foreign

nation does not establish priority of use in America.

4 McCarthy §§ 29.01[1], 29.01[2]; see also, e.g., 2 McCarthy § 16.07; 3 McCarthy § 26.02; *Person's v. Christman*, 900 F.2d at 1568-69 ("foreign use has no effect on U.S. commerce and cannot form the basis for a holding that appellant has priority here. The concept of territoriality is basic to trademark law; trademark rights exist in each country solely according to that country's statutory scheme."); *La Societe Anonyme v. Jean Patou*, 495 F.2d at 1270 n.4 ("It is well settled that foreign use is ineffectual to create trademark rights in the United States."); *Financial Matters, Inc. v. Pepsico, Inc.*, 806 F. Supp. 480, 485 (S.D.N.Y. 1992); *Scholastic, Inc. v. MacMillan, Inc.*, 650 F. Supp. 866, 873 n.6 (S.D.N.Y. 1987).

It is clear that, without more, Impressa Perosa does not derive any right to the "Fashion Cafe" mark in the United States from either its trademark registration of "Fashion Cafe" in Italy in 1988 or from its operation since 1987 of the Milan Fashion Cafe.

2. Impressa Perosa's Efforts to Advertise the Milan "Fashion Cafe" in the United States and to Negotiate to Establish a United States Restaurant Do Not Constitute "Use" of the Mark in the United States

Impressa Perosa asserts that it established its senior right to use the name "Fashion Cafe" in the United

States through its promotional efforts of the Milan Fashion Cafe, including distribution in the United States of promotional materials (T-shirts, key chains, business cards and vouchers to models for free meals at the Milan Fashion Cafe), "formulating a plan to put a Fashion Cafe establishment in hotels in major cities," and "actively negotiating with restaurateurs . . . which negotiation is itself use of the name Fashion Cafe in New York." (Def's S.J. Br. at 5.)

a. "Mere Advertising" Unconnected to an Established Business Is Not "Use"

Impressa Perosa "advertised" on behalf of the Milan Fashion Cafe by handing out free promotional materials in the United States to those involved in the fashion industry. However, advertising alone that is not connected to an established United States business does not constitute "use" under the Lanham Act. *See, e.g., Pirone v. MacMillan, Inc.*, 894 F.2d 579, 583 (2d Cir. 1990) ("The purpose of a trademark is to designate the source of a product and it has no existence apart from the trade 'in connection with which the mark is employed.'") (quoting *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97, 39 S. Ct. 48, 50, 63 L. Ed. 141 (1918)); *Cullman Ventures, Inc. v. Columbian Art Works, Inc.*, 717 F. Supp. 96, 112 (S.D.N.Y. 1989) ("Mere advertisement of a product by use of a mark would not constitute common law trademark use. Common law trademark rights develop when goods bearing the mark are placed in the market and followed by

continuous commercial utilization."); *Sunbeam Corp. v. Merit Enterprises, Inc.*, 451 F. Supp. 571, 574 (S.D.N.Y. 1978) ("'the mere advertisement of a product does not constitute trademark use.'") (quoting *Modular Cinemas of America, Inc. v. Mini Cinemas Corp.*, 348 F. Supp. 578, 582 (S.D.N.Y. 1972) ("service mark use . . . is still predicated upon the existence of an established operating business. For only then does a mark function to identify the source of one's trade in the marketplace.")[7]

Thus, Santambrogio's United States advertising efforts (via T-shirt, business card and other give-aways to those in the fashion industry) do not suffice in the absence of an operating business using the trademark "Fashion Cafe." It is undisputed that Santambrogio had no such operating business in the United States. (Santambrogio Dep. at 107; Santambrogio Aff. at p. 8.) The issue, therefore, is whether Santambrogio's advertisement in the United States of his Milan Fashion Cafe constitutes sufficient "use" to give Santambrogio United States trademark rights.

---

[7] *See also, e.g., Koffler Stores Ltd. v. Shoppers Drug Mart, Inc.*, 434 F. Supp. 697, 701 (E.D. Mich. 1976) ("mere advertising use is insufficient to Support a valid trademark."), aff'd, 559 F.2d 1219 (6th Cir. 1977); *Victor Tool & Machine Corp. v. Sun Control Awnings, Inc.*, 299 F. Supp. 868, 874 (E.D. Mich. 1968) ("Plaintiff's advertising use, even if established, cannot give plaintiff any trademark rights, since a trademark must be used on or in direct connection with the goods, and a mere advertising use is insufficient to Support a valid trademark."), aff'd, 411 F.2d 792 (6th Cir. 1969).

b. United States Advertising of A Foreign Business is Not "Use" in the United States

While the courts do not appear to have addressed the issue of whether U.S. advertising of a foreign business establishes United States trademark rights, the Patent and Trademark Office's Trademark Trial and Appeal Board has, adversely to Impressa Perosa. The Court notes that neither party cited to these directly on point decisions.

In *Mother's Restaurants Inc. v. Mother's Other Kitchen, Inc.*, 218 U.S.P.Q. 1046 (TTAB 1983), a Canadian pizza restaurant that used the name "Mother's Pizza Parlor" opposed trademark registration of the name "Mother's Other Kitchen for an American carry out restaurant on the grounds that the mark resembled the Canadian restaurant's mark. 218 U.S.P.Q. at 1047. The Canadian corporation asserted that it had made prior use of its mark in the United States through: radio advertisements on Canadian stations whose signals reached the U.S.; the distribution of promotional materials at tourist information booths in Canada directed at U.S. citizens; serving Americans dining at the Canadian restaurants; and fielding inquiries from Americans as to franchise opportunities in the U.S *Id.* at 1047-48.

The Trademark Trial and Appeal Board held that the Canadian corporation's advertising efforts were not a sufficient use of the mark in the U.S., stating:

> It is our view that prior use and advertising of a mark in connection with goods or services marketed in a foreign country (whether said

> advertising occurs inside or outside the United States) creates no priority rights in said mark in the United States as against one who, in good faith, has adopted the same or similar mark for the same or similar goods or services in the United States prior to the foreigner's first use of the mark on goods or services sold and/or offered in the United States . . ., at least unless it can be shown that the foreign party's mark was, at the time of the adoption and first use of a similar mark by the first user in the United States, a "famous" mark within the meaning of *Vaudable v. Montmartre, Inc.*, 20 Misc. 2d 757, 193 N.Y.S.2d 332, 123 U.S.P.Q. 357 (N.Y. Sup. Ct. 1959).

218 U.S.P.Q. at 1048 (emphasis added).[8]

---

[8] In a separate opinion, one member of the Board stated:

> The only impact of the spillover advertising is on commerce within Canada. The rendering of the services is in Canada, by Canadian persons and entities. The profit, if any, emanating from the rendering of such services accrues to Canadian citizens. To avail oneself of the services one must be in Canada. Thus, there is no impact as a result of the spillover advertising on commerce between Canada and the United States. Accordingly, the prior spillover advertising of "MOTHER'S" and "MOTHER'S PIZZA PARLOUR & SPAGHETTI HOUSE" created no rights or priority for opposer in the United States.

218 U.S.P.Q. at 1051 (Allen, concurring in part). Here too, Santambrogio's advertising in the United States only had an impact on commerce in Milan, Italy; the restaurant services were rendered in Milan, any profit flowed to Milan, and to avail oneself of the

(continued next page)

Likewise, in *Linville v. Rivard*, 1993 TTAB LEXIS 5, 26 U.S.P.Q.2D (BNA) 1508 (TTAB), vacated and remanded on other grounds, 11 F.3d 1074 (Fed. Cir. 1993), an American beauty salon using the name "Ultracuts" filed a petition to cancel a Canadian corporation's U.S. trademark registration with the same name on the grounds that the Canadian corporation had never made use of the name in the United States. 26 U.S.P.Q.2D (BNA) at 1509. The Canadian corporation argued that it had made use of the mark through: meetings in the U.S. with possible franchisees; review of possible sites for stores in the United States; advertisements on Canadian radio stations that also are heard in the U.S.; advertisements in Canadian news-papers read in the U.S.; servicing U.S. citizens who had traveled over the border to his Canadian stores, resulting in $ 25,000 of annual revenue; and "promotional give-aways and coupons" at a fair in the United States. *Id.* at 1510-11. The Trademark Trial and Appeal Board rejected the Canadian corporation's argument that advertising was use of the mark in the United States. *Id.* at 1512. The Board also held that no United States trademark rights were acquired by United States residents using the Canadian company's services while in Canada, because of the concept of territoriality. *Id.* The Board concluded by quoting the

---

restaurant services one must be in Milan. Thus, there is no impact on United States commerce and no use or rights to the mark in the United States.

passage from *Mother's* that is quoted above. 26 U.S.P.Q. 2d (BNA) at 1512-13.[9]

Although the Court recognizes that the decisions of the TTAB are not binding on this Court, "they are nevertheless entitled to 'great weight.'" *E.g., GMT Productions, L.P. v. Cablevision of New York City, Inc.*, 816 F. Supp. 207, 212 (S.D.N.Y. 1993).

The *Mother's* and *Linville* decisions by the Trademark Trial and Appeal Board are directly applicable to this "Fashion Cafe" case.[10] If anything, those cases involved even stronger facts for the foreign corporations than the case at bar since in both cases the Canadian corporations placed radio and newspaper advertisements

---

[9] Linville is cited in McCarthy's trademark treatise: "The Trademark Board has held that neither advertisements in the United States for Canadian beauty salon services, nor U.S. citizens traveling to Canada to use the services, constitute 'use' in the United States sufficient to form a basis for U.S. registration of the service mark." 4 McCarthy § 29.01[4] & n.23.1. *See also, e.g., Techex Ltd. v. Dvorkovitz*, 220 U.S.P.Q. 81, 83 (TTAB 1983) ("It is our view that prior use and advertising of a trade name in connection with a business in a foreign country creates no property right in said name in the United States as against one who, in good faith, adopted the same or similar work for the same or similar goods or services in the United States," except for a name that is "famous" in the United States, citing *Mothers*.).

[10] Those TTAB cases also cause the Court to reject Impressa Perosa's argument that its negotiation for future Fashion Cafe restaurants at various U.S. hotels or with United States restaurateurs before the opening of Buti's New York Fashion Cafe constitutes use of the mark in the United States. (See also cases cited in Section I(A)(2)(a), above.)

that reached American customers. By contrast, Impressa Perosa's distribution of T-shirts, business cards and other give-aways appears to be a much weaker advertising effort; its purpose was not to attract paying United States customers but to attract models with free food, so their presence would attract people in Milan to attend the Milan Fashion Cafe. Moreover, given the geographic proximity between Canada and the United States, a stronger case could be made that "goodwill" in the mark was established through the American customers who patronized the Canadian shops. Defendant Santambrogio has not alleged that the Milan Fashion Cafe attracted any paying customers from the United States (as opposed to United States fashion models to whom he offered free services). Even if he had, however, these two cases clearly hold that neither advertising efforts nor American patronage in foreign businesses suffice to establish use of the mark in the United States.

c. Buti is Not Guilty of "Bad Faith" So As to Constitute An Exception to the *Mother's* Rule

In *Mother's Restaurant* v. *Mother's Other Kitchen,* discussed above, the Trademark Trial and Appeal Board implicitly stated that a party attempting to establish priority rights to a mark in the U.S. must meet a "good faith" requirement as against a prior foreign user. *See* 218 U.S.P.Q. at 1048 ("It is our view that prior use and advertising of a mark in connection with goods or services marketed in a foreign country . . . creates no priority

rights in said mark in the United States as against one whom, in good faith, has adopted the same or similar mark. . .") (emphasis added).

Impressa Perosa argues that Buti can not establish good faith since Buti had knowledge of the existence of the Milan Fashion Cafe prior to his establishment of the Miami Beach or New York Fashion Cafes.

First, Santambrogio has not presented any admissible evidence that Buti was in or knew of the Milan Fashion Cafe. Buti submitted an affidavit that he never visited or was aware of the Milan Fashion Cafe before he opened his Fashion Cafe in Miami Beach in 1993. (Buti Aff. ¶ 3; Buti 3(g) ¶ 4; see also Buti Dep. at 22.) Santambrogio submitted an affidavit that he "personally witnessed [Buti's] presence [at the Milan Fashion Cafe] on more than one occasion. " (Santambrogio Aff. at p. 3; see also *Id.* at p. 2, 4, 9.) That testimony, however, is directly contradicted by Santambrogio's deposition testimony in which he admits that he never saw Buti in the Milan Fashion Cafe. (Santambrogio Dep. at 147-48.)

The Second Circuit has ruled that "a party may not create an issue of fact by submitting an affidavit in opposition to a summary judgment motion that, by omission or addition, contradicts that affiant's previous deposition testimony." *Hayes v. New York City Department of Corrections,* 84 F.3d 614, 619 (2d Cir. 1996) (citing cases). "'If a party who has been examined at length on deposition could raise an issue of fact simply by submitting an affidavit contradicting his own prior

testimony, this would greatly diminish the utility of summary judgment as a procedure for screening out sham issues of fact.'" *Id.* (quoting *Perma Research & Dev. Co. v. Singer Co.*, 410 F.2d 572, 578 (2d Cir. 1969)). Therefore, under *Hayes*, the Court cannot, and does not, accept Santambrogio's affidavit testimony that he saw Buti in the Milan Fashion Cafe. Without that testimony, there is no evidence that Buti was aware of defendant's Milan Fashion Cafe before he opened a United States Fashion Cafe.

Second, the Court finds that, even if Santambrogio's claims of Buti's prior knowledge of the use of the Fashion Cafe mark in Italy are accepted, that does not establish bad faith on Buti's part. In *Person's Co. v. Christman*, 900 F.2d 1565 (Fed. Cir. 1990), the Court considered the good faith issue on similar facts. In *Person's*, Larry Christman, an employee of a U.S. sportswear wholesaler, visited Japan in 1981 and purchased several clothing items bearing that mark "Person's" from a Japanese sportswear line by the same name. *Id.* at 1567. Upon returning to the United States, and discovering through counsel that no one had yet established a claim to the logo in the U.S., Christman began to market a sportswear line in the United States bearing the "Person's" logo. *Id.* Christman filed an application for the U.S. trademark registration in 1983, and the registration issued in 1984. *Id.*

The Japanese Person's began a plan to sell goods under the "Person's" mark in the U.S. Purchases of the Japanese "Person's" line in the U.S. occurred as early as

November 1982, seven months after Christman's first use in the U.S. *Id.*

In early 1986, the Japanese corporation learned of Christman's advertising and filed an action to cancel Christman's registration. *Id.* The TTAB issued a "well reasoned" decision (in the opinion of the Federal Circuit) for Christman on the grounds that Person's use of the mark in Japan could not be used to establish priority against a "good faith" senior user. *Id.* The Federal Circuit upheld the reasoning and holding of the TTAB. The Court held that Christman's use of the mark was not in bad faith because:

> The concept of bad faith adoption applies to remote junior users seeking concurrent use registrations; in such cases, the likelihood of customer confusion in the remote area may be presumed from proof of the junior user's knowledge. In the present case, when Christman initiated use of the mark, Person's Co. had not yet entered U.S. commerce. The Person's Co. had no goodwill in the United States and the "PERSON'S" mark had no reputation here. Appellant's argument ignores the territorial nature of trademark rights.
>
> Appellant next asserts that Christman's knowledge of its prior use of the mark in Japan should preclude his acquisition of superior trademark rights in the United States. The Board found that, at the time of registration, Christman was not aware of appellant's intention to enter the U.S. clothing and accessories market in the future. Christman

obtained a trademark search on the "PERSON'S" mark and an opinion of competent counsel that the mark was "available" in the United States. Since Appellant had taken no steps to secure registration of the mark in the United States, Christman was aware of no basis for Person's Co. to assert superior rights to use and registration here. Appellant would have us infer bad faith adoption because of Christman's awareness of its use of the mark in Japan, but an inference of bad faith requires something more than mere knowledge of prior use of a similar mark in a foreign country . . . .

Knowledge of a foreign use does not preclude good faith adoption and use in the United States. While there is some case law Supporting a finding of bad faith where (1) the foreign mark is famous here [citing *Vaudable* and *Mother's*] or (2) the use is a nominal one made solely to block the prior foreign user's planned expansion into the United States, as the Board correctly found, neither of these circumstances is present in this case.

We agree with the Board's conclusion that Christman's adoption and use of the mark were in good faith. Christman's adoption of the mark occurred at a time when appellant had not yet entered U.S. commerce; therefore, no prior user was in place to give Christman notice of appellant's potential U.S. rights. Christman's conduct in appropriating and using appellant's mark in a market where he believed the Japanese manufacturer did not compete can hardly be considered unscrupulous commercial conduct.

900 F.2d at 1569-70 (emphasis added & fns. omitted).

Person's reasoning is directly applicable to this case. Here, as in Person's, Impressa Perosa had not used its mark in the U.S. when Buti initiated use of "Fashion Cafe" in the U.S. Santambrogio conceded at his deposition that, before the December 1994 groundbreaking for Buti's Fashion Cafe, Buti had no way to know of Santambrogio's plan to open a United States Fashion Cafe. (Santambrogio Dep. at 318-19.) Thus, Impressa Perosa has not established Buti's bad faith merely by asserting Buti's knowledge of Impressa Perosa's prior use of the Fashion Cafe name in Italy.

d. The Milan "Fashion Cafe" is Not A "Famous" Mark So As to Come Within the Vaudable Exception to the *Mother's* Rule

Finally, Impressa Perosa has not argued that the "Fashion Cafe" mark was "famous" as defined by *Vaudable v. Montmartre,* 20 Misc. 2d 757, 193 N.Y.S.2d 332 (Sup. Ct. N.Y. Co. 1959), so as to bring it within the exception described in *Mother's* and Person's. See also 4 McCarthy § 29.01[4].

In *Vaudable v. Montmartre,* the plaintiff, owner and operator of "Maxim's" restaurant in Paris, moved for a permanent injunction restraining the defendants, the owner and operator of a newly opened New York "Maxim's," from using the name. 20 Misc. 2d at 758, 193 N.Y.S.2d at 334. The Court noted that the French

restaurant "Maxim's" was established in 1893 and had received wide publicity in the United States over a long period of years through newspaper and magazine articles, and as a prominently featured location in movies, television and in opera. *Id.* Indeed, the Maxim's plaintiff had "registered the Mark Maxim's with the United States Patent Office for catering services and wines and have merchandised and sold food products under the name or a variant thereof, in the United States." *Id.* The Court found that Maxim's was "well known in this country" and particularly in New York. *Id.* Given this level of recognition in the U.S., the Court found that plaintiff's Paris "Maxim's" had secondary meaning in the United States, that defendant's use of it constituted unfair competition, and the Court therefore enjoined defendant from use of the name "Maxim's." 20 Misc. 2d at 759-60, 193 N.Y.S.2d at 335-36.

The Court finds that there is no evidence in the record that Santambrogio's Milan Fashion Cafe ever achieved any level of recognition approaching that of Maxim's so as to be a "famous" foreign mark in the United States. Santambrogio admitted that he never bought advertising in the U.S., never hired a public relations firm, and that no newspaper articles had ever been published in the U.S. referring to the Milan Fashion Cafe. (Santambrogio Dep. at 222, 232-33.)[11] Santambrogio has failed to

---

[11] Santambrogio alleged that now "the name Fashion Cafe is very well known," but admitted that he "[could] not tell you if it's because of me or because of Mr. Buti" and admitted that he had

(continued next page)

offer admissible evidence of any "secondary meaning" of its Fashion Cafe in the United States.[12] Accordingly, the Court cannot find the Vaudable exception applicable here.

B. Impressa Perosa's Counterclaim Pursuant to 15 U.S.C. § 1120 Must Be Dismissed Because Any False Representations Were Not Material to the Registration

Impressa Perosa's second counterclaim, pursuant

---

never conducted a survey to test the level of United States recognition of the Milan Fashion Cafe. (Santambrogio Dep. at 293-94.) The evidence in the record appears to indicate that the reason that the Fashion Cafe mark was "very well known" was because the owners of the New York Fashion Cafe had spent millions of dollars in advertising and promotion and that the "supermodels" generated over 750,000 newspaper articles and 175,000 television reports worldwide. (Buti S.J. Mtn. Ex. E.) In any event, there is no evidence that the Milan Fashion Cafe mark is well known in the United States.

[12] Santambrogio has offered the signatures of some 100 people on a form that says they thought Santambrogio was involved in plaintiff Buti's New York Fashion Cafe because "he owns already the well-known Fashion Cafe in Milan." (Santambrogio Aff. Ex. B.) First, Exhibit B is classic hearsay and, as such, inadmissible on this summary judgment motion. *Cf. Ortho Pharmaceutical Corp. v. Cosprophar, Inc.* 828 F. Supp. 1114, 1122 (S.D.N.Y. 1993) (holding survey to be inadmissible as hearsay where no foundation laid that it was properly conducted), aff'd 32 F.3d 690 (2d Cir. 1994). Moreover, even if the survey is accepted, it does not help defendant's case. All of the signatories to Exhibit B are from Milan or elsewhere in Italy; none are from the United States. (See Santambrogio Aff. Ex. B.) Thus, the exhibit does not establish anything as to "secondary meaning" of the Milan Fashion Cafe in the United States (as opposed to Milan), which is the key issue.

to 15 U.S.C. § 1120, alleges that Buti made "false and fraudulent representations to the Patent and Trademark Office." Impressa Perosa asserts that, in filing their trademark application, plaintiff Buti made the false representations that (i) Fashion Cafe" was not being used in commerce by other persons and (ii) Buti had a right to register "Fashion Cafe" as his trademark. (Counterclaims ¶ 54.)

15 U.S.C. § 1120 establishes a private right of action for anyone injured by "any person who shall procure registration in the Patent and Trademark Office of a mark by a false or fraudulent declaration or representation."[13] "A registered mark may be canceled based upon misstatements in a trademark application if the plaintiff demonstrates that the statements '(1) were made with knowledge of their falsity, and (2) were material to the determination to grant the application.'" *West Indian Sea Island Cotton Ass'n Inc. v. Threadtex, Inc.*, 761 F. Supp. 1041, 1052 (S.D.N.Y. 1991) (quoting *Marshak v. Sheppard*, 666 F. Supp. 590, 598 (S.D.N.Y. 1987)). Stated another way, "the concept of fraud upon the Patent & Trademark Office involves a willful withholding by the applicant, with intent to deceive, of material facts which, if disclosed,

---

[13] U.S.C. § 1120 provides that:

> Any person who shall procure registration in the Patent and Trademark Office of a mark by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable in a civil action by any person injured thereby for any

(continued next page)

would result in refusal by the Office to register the mark." *Lafont v. S.A.C.S.E.*, 228 U.S.P.Q. 589, 593 (TTAB 1985) (citing *Rogers Corp. v. Fields Plastics & Chemicals, Inc.*, 176 U.S.P.Q. 280, 283 (TTAB 1972)).

Even assuming that Buti had knowledge of Santambrogio's use of the Fashion Cafe mark in Milan, Santambrogio cannot show that such false statements were "material to the determination to grant the application." Since the Court has determined that Impressa Perosa had not made prior use of the mark "Fashion Cafe" in the U.S., Buti had the right to use that mark in the United States, and the Patent and Trademark Office would have awarded the trademark to Buti in any event. Indeed, in *Lafont v. S.A.C.S.E.*, the TTAB held, on nearly identical facts, that:

> Because the question of who had the superior right to U.S. registration was not affected by respondent's knowledge of petitioner's European use and registration, we cannot conclude from this record that respondent's statement in its applications was an attempt to deceive the Office by withholding material facts which would lead to a refusal to register respondent's marks. Even if the Examining Attorney had been aware of respondent's European use and registration, this would not have led to a refusal of registration, because these facts are immaterial to the issue of respondent's right to register in the U.S.

---

damages sustained in consequence thereof.

228 U.S.P.Q. at 593 (emphasis added). *See also, Bonaventure Assoc. v. Westin Hotel Co.*, 218 U.S.P.Q. 537, 540-51 (TTAB 1983) (U.S. registrant of a trademark did not obtain registration fraudulently despite the fact that applicant had knowledge of use of the mark in Canada, because "mere knowledge" of existence of foreign corporation's use of same name "can hardly equate to fraudulent registration of the same mark in the United States.")

Thus, even if Buti should have revealed his alleged knowledge of Impressa Perosa's use of the Fashion Cafe mark in Italy in his United States trademark application, such an omission was not "material."

II. DEFENDANT'S STATE LAW COUNTERCLAIMS SHOULD BE DISMISSED WITHOUT PREJUDICE

Defendant's third, fourth and fifth counterclaims raise state, not federal, claims.[14]

A district court may exercise pendent jurisdiction over state law claims "whenever the federal-law claims and state-law claims in the case 'derive from a common nucleus of operative fact' and are 'such that [a plaintiff]

---

[14] Defendant's sixth counterclaim is not really a separate cause of action, but merely a request for (injunctive) relief. *See Liberty Mutual Ins. Co. v. Wetzel*, 424 U.S. 737, 743 & n.4, 96 S. Ct. 1202, 1206 & n.4, 47 L. Ed. 2d 435 (1976); *Williams v. Walsh*, 558 F.2d 667, 670 (2d Cir. 1977); Fed. R. Civ. P. 8(a)(3). Accordingly, I recommend that it be dismissed with prejudice as to defendant's federal claim and dismissed without prejudice as to defendant's state

(continued next page)

would ordinarily be expected to try them all in one judicial proceeding.'" *Carnegie-Mellon Univ. v. Cohill*, 484 U.S. 343, 349, 108 S. Ct. 614, 618, 98 L. Ed. 2d 720 (1988) (quoting *United Mine Workers v. Gibbs*, 383 U.S. 715, 725, 86 S. Ct. 1130, 1138, 16 L. Ed. 2d 218 (1966)). The decision whether to exercise pendent jurisdiction, however, is within the discretion of the district court, which should consider such factors as "judicial economy, convenience, fairness and comity." *Carnegie-Mellon*, 484 U.S. at 349-50, 108 S. Ct. at 618-19; *Block v. First Blood Assocs.*, 988 F.2d 344, 351 (2d Cir. 1993).

When the federal claims are dismissed before trial, the Supreme Court has stated that the District Court ordinarily should decline the exercise of jurisdiction by dismissing the state claims without prejudice. *Carnegie-Mellon*, 484 U.S. at 350 n.7, 108 S. Ct. at 619 n.7 ("in the usual case in which all federal-law claims are eliminated before trial, the balance of factors to be considered under the pendent jurisdiction doctrine—judicial economy, convenience, fairness, and comity—will point toward declining to exercise jurisdiction over the remaining state-law claims."); *Gibbs*, 383 U.S. at 726, 86 S. Ct. at 1139 ("if the federal claims are dismissed before trial . . . the state claims should be dismissed as well.").

Thus, I recommend that in the exercise of its discretion, the Court dismiss defendant's pendent state law counterclaims without prejudice.

---

claim.

III. BUTI'S MOTION TO STRIKE AFFIDAVITS IS GRANTED IN PART AD SANCTIONS ARE GRANTED

Plaintiff Buti has moved to strike two of defendant's affidavits and has requested sanctions.

The Court agrees that the affidavit of defendant's counsel Mr. Jaroslawicz is incompetent and impermissible to the extent it purports to set forth facts. "Attorneys' affidavits not based upon personal knowledge have been held not to comply with Rule 56(e) at least since *Automatic Radio Manufacturing Co. v. Hazeltine Research, Inc.*, 339 U.S. 827, 831, 70 S. Ct. 894, 896, 94 L. Ed. 1312 (1950), a position this court has frequently reiterated." *Kamen v. American Tel. & Tel. Co.*, 791 F.2d 1006, 1010 (2d Cir. 1986) (citing cases); accord, *e.g.*, *Burger v. Health Ins. Plan of Greater N.Y.*, 684 F. Supp. 46, 54 (S.D.N.Y. 1988); 10A C. Wright, A. Miller & M. Kane, Federal Practice & Procedure § 2738 at 495-96 (2d ed. 1983).[15] Accordingly, the Jaroslawicz affidavit is struck, except for its submission of exhibits containing discovery material (the Buti and Santambrogio deposition transcripts and documents produced in discovery).

As for the Kates Affidavit, whether or not it contains hearsay, the Court need not strike it because

---

[15] *See also, e.g., Sitts v. United States*, 811 F.2d 736, 741 (2d Cir. 1987); *Beyah v. Coughlin*, 789 F.2d 986, 989 (2d Cir. 1986).

nothing in it creates a dispute as to an issue of material fact. The Court also declines to strike defendant's counter Rule 3(g) statement.

Plaintiff's request for sanctions is granted to the limited extent of the reasonable cost of researching and preparing that portion of the motion to strike dealing with defense counsel's affidavit. Plaintiff's counsel shall file an affidavit, attaching contemporaneous time records, if counsel desires to pursue the sanctions request. Such affidavit must be submitted within ten days hereof and any response from defendant's counsel must be submitted within 7 days thereof. (All papers shall be served on opposing counsel by hand, fax, or by next day delivery service.)

CONCLUSION

For the reasons set forth above, plaintiff Buti is the senior user of the mark "Fashion Cafe" in the United States. I recommend that the Court grant plaintiff Buti summary judgment on its declaratory judgment claims and further recommend that the Court grant plaintiff summary judgment dismissing defendant Impressa Perosa's federal trademark claims with prejudice and state law claims without prejudice. Finally, I also recommend that the Court deny defendant Impressa Perosa's cross-request for summary judgment.

FILING OF OBJECTIONS TO THIS REPORT AND RECOMMENDATION

Pursuant to 28 U.S.C. § 636(b)(1) and Rule 72(b) of the Federal Rules of Civil Procedure, the parties shall have ten (10) days from receipt of this Report to file written objections. See also Fed. R. Civ. ¶. 6. Such objections (and any responses to objections) shall be filed with the Clerk of the Court, with courtesy copies delivered to the chambers of the Honorable Allen G. Schwartz, 500 Pearl Street, Room 1350, and to the chambers of the undersigned, 500 Pearl Street, Room 1370. Any requests for an extension of time for filing objections must be directed to Judge Schwartz. Failure to file objections may result in a waiver of those objections for purposes of appeal. *Thomas v. Arn*, 474 U.S. 140, 106 S. Ct. 466, 88 L. Ed. 2d 435 (1985); *IUE AFL-CIO Pension Fund v. Herrmann*, 9 F.3d 1049, 1054 (2d Cir. 1993), cert. denied, 130 L. Ed. 2d 38, 115 S. Ct. 86 (1994); *Frank v. Johnson*, 968 F.2d 298, 300 (2d Cir.), cert. denied, 506 U.S. 1038, 113 S. Ct. 825, 121 L. Ed. 2d 696 (1992); *Wesolek v. Canadair Ltd.*, 838 F.2d 55, 57-59 (2d Cir. 1988); *McCarthy v. Manson*, 714 F.2d 234, 237-38 (2d Cir. 1983).

Dated: New York, New York
July 18, 1996

Respectfully submitted,
Andrew J. Peck
United States Magistrate Judge

STATUTE INVOLVED

Lanham Act, 15 U.S.C. § 1127

TITLE 15. COMMERCE AND TRADE

CHAPTER 22. TRADE-MARKS

GENERAL PROVISIONS

§ 1127. Construction and definitions; intent of chapter

In the construction of this Act, unless the contrary is plainly apparent from the context—

The United States includes and embraces all territory which is under its jurisdiction and control.

The word "commerce" means all commerce which may lawfully be regulated by Congress.

The term "principal register" refers to the register provided for by sections 1 through 22 hereof [15 USCS §§ 1051-1072], and the term "supplemental register" refers to the register provided for by sections 23 through 28 thereof [15 USCS §§ 1091-1096].

The term "person" and any other word or term used to designate the applicant or other entitled to a benefit or privilege or rendered liable under the provisions of this Act includes a juristic person as well as a natural person. The term "juristic person" includes a firm, corporation,

union, association, or other organization capable of suing and being sued in a court of law.

The term "person" also includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this Act in the same manner and to the same extent as any nongovernmental entity.

The terms "applicant" and "registrant" embrace the legal representatives, predecessors, successors and assigns of such applicant or registrant.

The term "Commissioner" means the Commissioner of Patents and Trademarks.

The term "related company" means any person whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used.

The terms "trade name" and "commercial name" mean any name used by a person to identify his or her business or vocation.

The term "trademark" includes any word, name, symbol, or device, or any combination thereof—

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act,

to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

The term "service mark" means any word, name, symbol, or device, or any combination thereof—

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act,

to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown. Titles, character names, and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor.

The term "certification mark" means any word, name, symbol, or device, or any combination thereof--

(1) used by a person other than its owner, or

(2) which its owner has a bona fide intention to permit a person other than the owner to use

in commerce and files an application to register on the principal register established by this Act,

to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization.

The term "collective mark" means a trademark or service mark—

(1) used by the members of a cooperative, an association, or other collective group or organization, or

(2) which such cooperative, association, or other collective group or organization has a bona fide intention to use in commerce and applies to register on the principal register established by this Act,

and includes marks indicating membership in a union, an association, or other organization.

The term "mark" includes any trademark, service mark, collective mark, or certification mark.

The term "use in commerce" means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this Act, a mark shall be deemed to be in use in commerce—

(1) on goods when—

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

A mark shall be deemed to be "abandoned" if either of the following occurs:

(1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. "Use" of a mark means the bona fide use of such

mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.

(2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this paragraph.

The term "dilution" means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—

(1) competition between the owner of the famous mark and other parties, or

(2) likelihood of confusion, mistake, or deception.

The term "colorable imitation" includes any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive.

The term "registered mark" means a mark registered in the United States Patent and Trademark Office under this Act or under the Act of March 3, 1881, or the Act of February 20, 1905, or the Act of March 19, 1920. The

phrase "marks registered in the Patent and Trademark Office" means registered marks.

The term "Act of March 3, 1881," "Act of February 20, 1905," or "Act of March 19, 1920," means the respective Act as amended.

A "counterfeit" is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.

Words used in the singular include the plural and vice versa.

The intent of this Act is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trade-marks, trade names, and unfair competition entered into between the United States and foreign nations.